THE TICKER

Vol. 1. FEBRUARY, 1908. No. 4.

DANIEL J. SULLY

THE FORMER COTTON KING, WHO IS AGAIN IN THE FIELD

Foresight

With This One Word, Daniel J. Sully, the Former Cotton King, Who Has Just Re-entered the Arena, Expresses His Idea as to the Most Necessary Element in an Operator's Make-up

IT IS nearly four years since the first chapter in the spectacular career of Daniel J Sully was brought to a close. For many months past nothing has been heard of the once famous operator except that he was engaged in mercantile enterprises.

It was with much surprise, therefore, that the writer, happening to call at the office of Carpenter, Baggot & Co., met Mr. Sully in the private office of that firm. To the uninitiated the former Cotton King might have been an ordinary trader sitting there in an easy chair, opposite the low ticker, watching the cotton market.

Under the surface, however, this corner of the office was a very busy spot. Telegrams, messages, news slips and telephone calls were coming in rapidly, and one could not remain in that vicinity long without realizing that something important was afoot.

"It looks as though you were back in harness again, Mr. Sully," was remarked.

"Yes, I am back, and am buying cotton. I expect to buy more cotton, and the man who has the most cotton a little later on is going to make the most money."

Here Mr. Sully glanced at the tape sharply, wrote an order and handed it to a clerk.

"You have had a long time to think over your former operations. Can you tell the TICKER's readers what, in your opinion, is the most important element in the success of a market operator?"

"Foresight," quickly responded Mr. Sully. "An operator's greatest asset is not capital, but foresight. Money is made in the market-place not so much by consideration of past and present conditions, but by carefully weighing the factors likely to create certain situations one, two or three months hence. What will conditions be in the cotton market next week or next month? That is what I want to know, and what every other intelligent operator should consider most important.

"We have a situation here that is remarkable in the extreme, and no one has inside information because it is all on the outside—it is open to every one. No well-posted follower of the cotton market has in recent years seen the parallel of the present situation, wherein actual cotton is selling at 1½ cents above futures. Mills north, east and abroad are paying and will pay 12½ cents to 12¾ cents per pound for their requirements, whereas, futures are now selling on a basis of 11½ cents. It is the demand for actual cotton which keeps these prices apart. Every bale is actually wanted or the mills would not pay the price.

"To go back to the question of foresight, many people are worrying because we have had a panic in the stock market; it will take such folks months to recover their equilibrium, but the man with genuine foresight will realize that in spite of what has happened, general conditions are sound. The upswing has fairly started, so that in eight or ten months the

country will almost forget that there has been a disaster. This is a bull country, and any one who tries to sell its commodities short, in the long run will get badly twisted. I believe conditions—commercial and financial—will show such a remarkable change in the next few months, that the near future will outstrip the marvelous record made in the banner year of 1906-7."

From all indications Mr. Sully started buying cotton when it was at a much lower level. It is evident that he not only has strong backing, but that thousands of followers are flocking to his standard, for the cotton market started to boom the minute a report became current that he was doing business at the old stand.

"It is reported that certain Wall Street interests are backing you in this deal, Mr. Sully."

"Well," he answered, "I was asked by certain interests if I could do certain things and I thought that I could. I am now going to do them. The interests I represent are strong enough to support all my transactions. As I view it, there was never a more bullish cotton situation. The answer to the question as to what cotton is worth is to be found in the prices which the world will pay for cotton. Every man who knows anything about cotton knows that futures have all this season been away down under spots. No one in fifteen years ever knew the situation that has been existing all this season with the consumers of the world paying such a ridiculously high premium over futures for the real stuff.

"It is now down to a three-cornered fight for the cotton that is left between the spinners of the North, and the spinners of the South, and the foreign spinners. The American spinners have held back and allowed the foreigners to get the best of the crop, but even with all they have the foreigners are buying just as eagerly as ever. The American mills have no cotton. The northern mills are in particularly bad shape; they have no stocks at all. The cotton that is wanted is not in the South; so that is not a question of the farmers holding cotton; it is a question of the cotton, which the mills need, not being there to hold. I am not going to attempt to say at this time how high I expect cotton to go, but I am more than confident that it will go very high."

The Amsterdam Stock Exchange

Some of Its Characteristics—Importance of Dutch Investments in American Securities

Figures Revised by J. D. STRUIJS, JR., Boissevain & Co.

THE time when the bankers of the United States had to borrow money in Europe for building and promoting their railroads, belongs to the past, and for years the marvelous development of our agricultural, industrial and general economical prosperity has placed this country practically in a position of financial independence.

It is American capital, centered in Wall street, which now controls the markets for American securities, and although the daily tendencies of London, the center of European speculation, do not miss their effect on the New York Stock Exchange, this influence is practically of secondary importance. As a matter of fact, the American operator (of course with the exception of the arbitrageurs) pays only little attention to cable advices received from the other side, and under the circumstances it is only natural that smaller European markets for American securities should be totally ignored.

Nevertheless, next to London, there is one market which is noteworthy on account of its fairly extensive dealings. Reference is made to the Amsterdam stock market. Amsterdam is the principal market for American railroad securities on the continent, much more so than Berlin, where, since the withdrawal of Northern Pacific preferred shares, dealings are restricted to Canadian Pacific shares and a few bond issues, while in Frankfort only some bonds are listed. Amsterdam, however, has quite an active market for nearly all leading railroad stocks and a good many bonds. The Dutch public has been interested in American stocks from the very infancy of our railroads. Consequently it has also been a bad sufferer in the times of depression and bankruptcy which most of our systems have gone through.

Notwithstanding this the Hollanders, having constantly watched with profound interest the developments in the United States, have never lost their confidence in the ultimate prosperity of this country, based upon its natural resources and the pushing, enterprising character of its citizens. This great confidence has always been the backbone of Dutch speculation, it explains the popularity of the "buy-on-each-decline-policy" prevailing in Holland.

Hollanders Hold Many American Securities.

Control of the Missouri, Kansas and Texas Railway is said to have been held in Holland. The same is asserted as to the great majority of the common and preferred stock of the Kansas City Southern Railway. It will also be remembered that the Dutch Association

Koers.	Nummer Coup. of div.	Bedrag der leverbare stukken.	Vervaldagen der Coupons.	NAMEN DER FONDSEN	%	Vorige Koers.	Laagste Koers.	Hoogste Koers.	Gebleven Koers.
				TURKIJE.					
		Fr. 500-2500	1/4-1/10	Anatolië Spoorwegmij. 1e Serie Oblig. 1890	5	95	—	—	—
		" 500-2500	1/4-1/10	dito dito 2e Serie Oblig. 1894	5	—	—	—	—
		" 500	15/4-15/10	Salonika-Konstantinopel Spwmij. Oblig. 1893	3	—	—	—	—
				AFRIKA					
	8	£ 100	divid.	Ermelo Spoorweg Maatschappij Aand.		—	—	—	—
		" 20	1/1-1/7	Keneh-Assouan Spoorwegmij. Oblig. 1895	3 1/2	—	—	—	—
				VER. STATEN VAN N.-AMERIKA.					
	52	$ 500-1000	divid.	Atchison Topeka & Santa Fé Cert. v. Gew. Aand.		76 5/16	75 3/4	76 1/8	—
	22	" 500-1000	divid.	dito dito dito Cert. v. Pref. Aand.		86	—	—	—
		" 1000	1/6-1/12	dito dito Convert. Goud Oblig.	5	96	—	—	—
		" 500-1000	1/4-1/10	dito Algemeene Hypotheek Oblig.	4	92 1/2	—	—	—
	12	" 500-1000	—	dito Adjustment Oblig.	4	81 1/2	81	—	—
		" 1000	1/6-1/12	dito Convertibele Goud Bonds	4	83 3/8	83	—	—
		" 1000	1/3-1/9	dito Eastern Oklahoma 1e Hyp. Goud Oblig.	4	90 1/8	—	—	—
	63	" 500-1000	divid.	Baltimore & Ohio Certificaten van Aand.		81 1/2	—	—	—
	21	" 500-1000	divid.	dito Cert. voor 4 pCt. niet Cum. Pref. Aand.		—	—	—	—
		" 500-1000	1/2-1/8	Central Pacific 1e Refunding Hypotheek Oblig.	4	89 5/8	90	—	—
		" 1000	1/4-1/10	dito dito Through Short Line 1e Hyp. Oblig.	4	85	—	—	—
		" 500-1000	1/6-1/12	dito Mortgage Goud Oblig.	3 1/2	79 5/8	—	—	—
	7	" 1000	divid.	Chesapeake & Ohio Cert. van Aand.		28 11/16	27 1/4	—	—
		" 1000	1/5-1/11	dito dito 1e Hyp.-Oblig. No. 1-25858	5	106	—	—	—
		" 1000	1/3-1/9	dito dito Alg. Hyp.-Oblig. No. 1-18481 en 18489-35080	4 1/2	—	—	—	—
	112	" 500-1000	divid.	Chicago Burlington & Quincy Cert. van Aand.		—	—	—	—
		" 1000	1/1-1/7	dito Ill. Div. Mortg. Bonds per 1949	3 1/2	—	—	—	—
		" 1000	1/5-1/11	Chicago & Erie 1e Hypotheek Oblig.	5	107 7/8	—	—	—
		" 500	1/1-1/7	Chicago Great Western Cert. voor Debentures	4	—	—	—	—
	15	" 500	divid.	dito dito Cert. v. 5 pCt. Pref. Stock A.		—	—	—	—
	52	" 1000	divid.	Chicago Milwaukee & St. Paul Cert. van Aand.		—	—	—	—
		" 1000	1/1-1/7	dito dito Western Division Oblig.	5	—	—	—	—
		" 1000	1/1-1/7	dito dito Lake Supur. Divis. dito	5	—	—	—	—
	65	" 1000	divid.	Chicago Northwestern Cert. v. Gew. Aand.		—	—	—	—
	133	" 500-1000	divid.	dito dito Cert. van Pref. Aand.		191	—	—	—
		" 1000	1/3-1/9	dito dito 1e Hyp. Cert.	7	101	100 1/8	—	—
		" 500-1000	1/4-1/10	dito dito Madison-Extension Oblig.	7	104 1/2	—	—	—
		" 500-1000	1/6-1/12	dito dito Menomence dito	7	106 1/2	—	—	—
		" 500-1000	1/3-1/9	dito dito Northw. Union Div. dito	7	117 1/2	—	—	—
		" 500-1000	1/6-1/12	dito dito Winona & St. Peter dito	7	115 1/2	109 1/2	—	—
		" 1000	1/5-1/11	dito dito (Sinking-Fund) dito	5	107 1/2	—	—	—
	148	" 500-1000	divid.	Chicago Rock Island & Pacific Cert. van Aand.		—	—	—	—
		" 1000	1/5-1/11	Chicago Rock Island & Pacific in Goud P. 2002.	4	56 5/8	—	—	—
		" 1000	1/4-1/10	dito dito 1e en Ref. H. Goud Oblig. v. 1934	4	84 1/2	—	—	—
	14	" 500-1000	divid.	Cleveland Akron Columbus Cert. van Aand.		52 1/4	—	—	—
		" 400	1/2-1/8	dito Geconsolideerde Hyp. Cert. van Oblig.	4	87 1/4	—	—	—
		" 500-1000	1/3-1/9	dito Algem. Hyp. Oblig.	5	104	—	—	—
	26	" 500 1000	divid.	Clevel. Cincinn. Chic. & St. Louis Cert. v. Aand.		—	—	—	—
	1	" 500-1000	divid.	Colorado & Southern Spw. Cert. van Gew. Aand.		19	—	—	—
	10	" 500-1000	divid.	dito dito Cert. v. 4 pCt. 1e Pr. A.		42 1/8	—	—	—
	3	" 500-1000	divid.	dito dito Cert. v. 4 pCt. 2e Pr. A.		34 1/2	—	—	—
		" 1000	1/5-1/11	Dallas & Waco 1e Hyp. Oblig.	5	101 1/2	100 1/4	—	—
		" 500-1000	divid.	Denver & Rio Grande Spoorweg Cert. v. Aand.		19 1/4	18 15/16	19 5/16	—
	6	" 500-1000	divid.	dito dito dito Pref. Aand.		63	—	—	—
		" 500-1000	divid.	dito dito dito Cert. v. Pref. Aand.		60	61 1/8	—	—
	85	" 500	1/6-1/12	dito dito dito Improvem. Oblig.	5	—	—	—	—
		" 1000	1/1-1/7	dito dito dito 1e Gec. Hyp. G. Obl.	4 1/2	99 5/8	99 1/4	—	—
		" 500-1000	1/1-1/7	dito dito dito 1e Hyp. Oblig.	4	90	—	—	—
		" 1000	1/1-1/7	Des Moines & Fort Dodge 1e Hyp. Oblig. p. 1935	4	66	—	—	—
		" 1000	1/4-1/10	Eastern of Minnesota Oblig.	5	97 3/4	97 1/8	—	—
		" 1000	divid.	Erie Spoorweg-Mpij. Gew. Aand.		17 1/8	17 1/4	17 1/8	—
		" 1000	divid.	dito dito 1e Pref. Aand.		39 1/8	—	—	—
		" 1000	divid.	dito dito Cert. v. 1e Pref. Aand.		40	—	—	—
	14	" 1000	divid.	dito dito 2e Pref. Aand.		32 1/4	—	—	—
	6	" 1000	divid.	dito dito Cert. v. 2e Pref. Aand.		32 1/4	—	—	—
		" 1000	1/1-1/7	dito dito General Lien Bonds	4	70	69 3/4	—	—
		" 1000	1/1-1/7	Florida Central & Peninsular Oblig.	5	101 1/2	—	—	—
		" 1000	1/1-1/7	dito 1e Hyp. Extension-Bonds 1-460	5	—	—	—	—
		" 1000	1/1-1/7	dito 1e Consolidated Mortgage Gold-Bonds	5	103	—	—	—
		" 500-1000	1/1-1/7	Grand Trunk West. Railw. Co. 1e Hyp. Goud Oblig.	4	95 1/2	—	—	—
		" 500	divid.	dito dito 2e Hyp. Incomebond.		66	—	—	—

PART OF THE AMSTERDAM STOCK EXCHANGE LIST.

figures among the prominent stockholders of the United States Steel Corporation as well as International Mercantile Marine, common, preferred and bonds.

Conservative estimates put the Hollanders' interest in a few of the most prominent American stocks as follows:

U. S. Steel	500,000	shares
R. I. Common	200.000	"
Amer. Car & Fdry..	150,000	"
Wabash	80,000	"
Atchison	60,000	"
Union Pacific	60,000	"
So. Pacific	60,000	"
N. Y., Ont. & West.	50,000	"
Den. & Rio Grande	50,000	"

Although it is evident that these figures are not very significant, compared with the amounts of the different issues outstanding, they are of importance when we consider that the votes of all the scattered holders in many instances have been united as a result of the following ingenious system:

Dealings in these stocks are not always in the original shares. Large blocks of American securities are held by an "administration office," which issues its certificates against the deposit of the original shares.

Some stocks such as Kansas City Southern common and preferred, Erie common, Southern Railway common, and Southern Pacific, are usually handled in their original form, but Steel common, Rock Island, Union Pacific, Atchison, Norfolk & Western and Car Foundry, are dealt in in these certificates.

This system not only unites the voting power, but it facilitates and simplifies the collection of dividends, exercising of rights and whatever action is to be taken in the interest of the stockholders.

Certain stocks which are more or less inactive in the New York market, have a regular and oftimes active market in Amsterdam. Among these are Kansas City Southern, Mercantile, Marine and Consolidated Railway Lighting and Refrigerating Securities.

A highly important stock locally dealt in, is the Royal Dutch Petroleum Company, which, starting in a small way twenty years ago, is now the chief petroleum operating company in the East. With the exception of the Standard Oil Company this concern can be considered second to none in the world. Dividends paid to the shareholders of the Royal Dutch Petroleum Company amounted in 1905 to 50%, and in 1906 to 75%, after large amounts had been written off for depreciation.

As in the New York market, dealings in Amsterdam are on a cash basis.

Modern Brokerage Establishments.

I.—Organization and Machinery of the House of J. S. Bache & Company

A PASSENGER standing on the observation platform in the engine-room of a modern ocean liner will observe great masses of steel, some stationary, some whirling at terrific speed; he may go down into the boiler-room where is generated the power with which the great ship is driven, but all this will give him only a crude idea of the actual workings of the machinery of propulsion. He must know and be able to grasp all the component parts of that machinery, and their relation to each other, in order to appreciate what a tremendous undertaking it is to move this gigantic mass of men and materials over the watery miles separating two continents.

So it is with the machinery of a large banking and brokerage house. A client may spend many days in the customers' room, from which vantage point he will observe much, but his knowledge of the inner workings of the machine, built to handle orders in the various markets, must still be superficial.

The chief characteristic of the brokerage business is, that the broker has no goods to sell. He carries nothing on his shelves nor in storehouses. In lieu of merchandise, a brokerage house offers SERVICE, and upon the efficiency of this service depends his prosperity.

With the idea that a description of the machinery necessary to the handling of a large business in this line would prove of general interest, the writer visited the offices of J. S. Bache & Company in lower Broadway, New York.

Having seen much of Wall Street development in the past two decades, it is interesting to note that houses which in former years occupied but small and comparatively obscure quarters, are now ranked among the great houses of the "Street." That there is good reason for this expansion and the enviable prestige in the case of the above firm, is remarked before one has examined very deeply into the methods and facilities characteristic of this establishment.

Everything is run with clock-like precision. No matter how large a business is being done, there is no confusion, the plant being designed to handle the maximum volume of orders. During the big markets of recent years a record of over 200,000 shares of stock bought and sold in one day stands to the credit of this firm. Many houses handling such an amount in proportion to their capacity, would have been "swamped"; but just here is displayed the value of looking at things in a large way, and the benefits to be derived from a frictionless system.

DESCRIPTION OF OFFICES.

Upon entering we find ourselves in a most imposing reception-room, where enormous columns, elaborate ceiling decoration, massive mahogany wainscoting and furnishings, impart an atmosphere of strength and solidity.

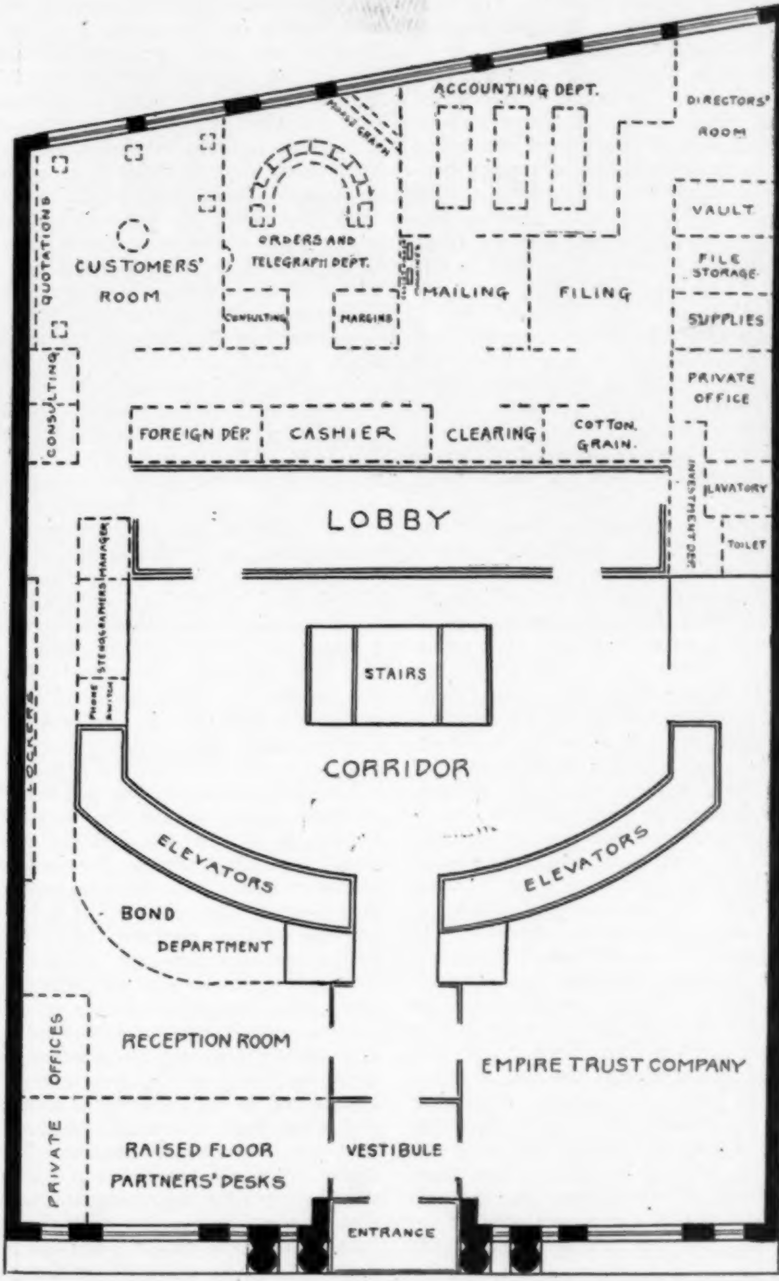
The head of the firm occupies a private office in the far left hand corner. The floor of his office, as well as that portion occupied by his partners, is slightly elevated and separated from the main portion of the reception room, by a heavy mahogany railing. A large rug covers the tiled floor, with luxurious leather chairs and davenports completing the equipment.

To the right is the Bond Department, which deals in bonds and other securities not regularly traded in on the various exchanges. For instance, if an order is received involving the purchase of a block of bonds for which there is a poor market on the New York Stock Exchange, it is the business of this department to search among the bond houses of New York and other cities for the lowest offering. By means of the firm's extensive private wire system this can be done with remarkable dispatch, and advantage taken of the lowest offer obtainable. Unlisted securities are handled in a similar manner, complete indexes being kept, so that the best markets for any securities may be instantly located.

As we move toward the main portion of the office we pass a complete library of financial books and lockers for the use of members of the firm and their lieutenants. To the right is the telephone switchboard, booths and stenographers' department.

RECEPTION HALL

Beyond this and at the end of the passage we are greeted by the Manager, with whom all heads of departments consult unless the matter is sufficiently important to warrant the firm's attention. From this point we have a splendid view of the exterior of the Banking Department. The counter is of marble with surmounting partitions of heavy bronze, above which is a row of electroliers. The



FLOOR PLAN OF J. S. BACHE & CO.'S OFFICE.

whole is probably sixty feet long—a most effective piece of architecture. The high ceiling and extensive skylight furnish ample light and ventilation.

Passing on toward the rear we find two small rooms for private conferences, back of which is the customers' room, furnished with a long quotation board and the usual complement of tickers, quotation sheets, news slips, etc. Rows of arm-chairs—so comfortable that the client enjoys his stay—complete the office furnishings.

Order and Wire Department.

Orders for securities and commodities are handed through a window on the right to the Order and Wire Department, which occupies a space probably 30 feet square with glass partitions extending to the ceiling. Thus is subdued the noise from the many telegraph instruments within.

This department is the heart of the business. Its main feature, the order desk, is arranged in the form of a great horse-shoe, with six order clerks inside the enclosure, and ten telegraph operators outside, so that all face each other. The order clerks stand while they work and have before them "Buy" and "Sell" sheets, arranged with six or seven alphabetical divisions, viz., A to F, etc An order to buy 100 Atchison would be entered on the "Buy" sheet in the A to F column. No verbal orders are accepted, everything being written out on an order blank if from the customer's office, or upon a telegraph blank if it comes over the wire. Each order is time-stamped when received, and again when executed. In case of delay, error or dispute, this method has proved invaluable in fixing responsibilities. There are three private telephones direct from this order desk to the floor of the New York Stock Exchange, and others to the Cotton, Produce and Coffee Exchanges. All orders for 100 share lots or over, as well as cancellations and changes are sent over one telephone wire to the Stock Exchange. All reports of executions, etc., are received from that floor over another instrument. The third telephone is for odd lots.

From the telegraph tables radiate one of the most extensive private wire systems in this country—a system whose arms reach out for business to Montreal and Boston on the north and east, to New Orleans and Texas on the South, and to San Francisco on the West, for the firm has branch offices, correspondents, or wire connections, in practically every important city in the United States. From these wires the bulk of the business originates. Consider the magnitude of a day's trading involving 200,000 shares of stock, bales of cotton running into the hundred thousands, and grain into the million bushels, and you will gain a slight idea of the enormous strain put upon this department in the days of big transactions.

There is no occupation more exacting than that of the order clerk and the telegraph operator in an establishment of this kind. The slightest error is likely to cost his firm hundreds or thousands of dollars. To transmit the word "buy" when it should be "sell," to name the wrong stock, or to mistake the price, is a serious matter with him, and may cost him his position. So it may be said, that the employees in this department of such a house are men picked for their quickness and accuracy. Accuracy! That is the word—the whole fabric of this department hangs upon it.

The Morse-Graph.

The importance of this point will be realized when, among the details and appliances in use, we find the Morse-Graph, an instrument for recording whatever passes over the telegraph lines, incoming or outgoing. The telegraph sounder on each operator's desk is connected with a similar one on the Morse-Graph, the sounders in the latter instrument being arranged in line so that a one-inch paper tape upwinding on one reel and rewinding on another, runs along past the line of instruments. There is attached to each sounder a fine metal stylus supplied with red ink from a small reservoir above. As the tape travels, each stylus records every dot and dash sent over its corresponding telegraph wire, so that by the time the last stylus has been passed the entire tape is filled with these dots and dashes arranged in lines, each line corresponding with a sounder. Thus the record on the tape is an exact repro-

PARTNERS' DESKS

duction of the message as it is transmitted. Every few minutes the time of day is marked in pencil, or by automatic time stamp, on this tape, so that in case of an error in transmission, or a misunderstanding by the receiving operator, the record on the tape may be examined, the error located, and the blame laid to the offending party.

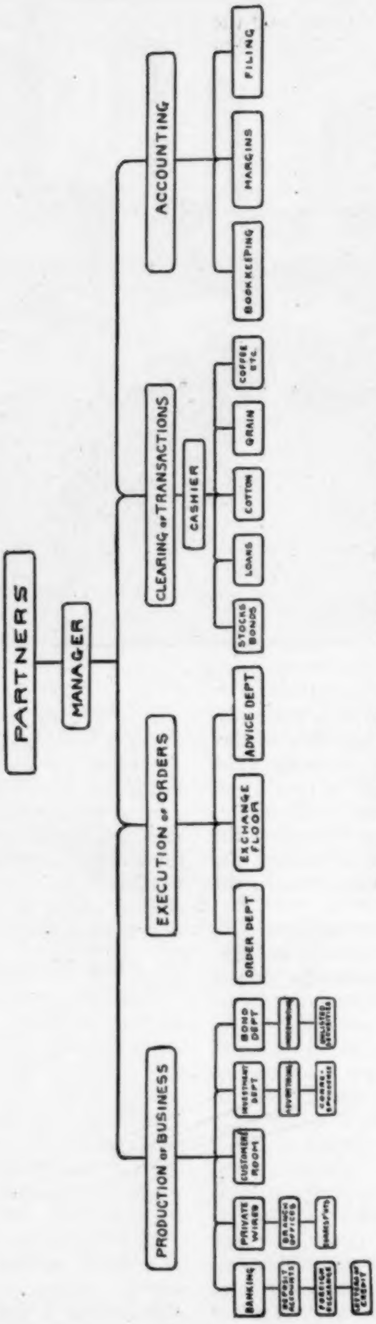
Over the telegraph wires are sent quotations from the New York Stock Exchange ticker tape, so promptly that a branch office or correspondent in a faraway city receives them only a few seconds behind the man whose eye reads under the wheel of the ticker. Cotton quotations are received from the Cotton Exchange floor by telegraph, a sounder being placed on the wall alongside of a small blackboard in full view of all the operators. Quotations are posted on this blackboard by a clerk who understands telegraphy, so that all operators may read and send at the same time. News or gossip coming over the news tickers, and private information from the office or floor, is duplicated on typewritten tissue sheets, a copy handed to each operator, and the news instantly distributed.

Orders for cotton are transmitted directly to the Cotton Exchange floor by private telephone, and grain orders to the Chicago Board of Trade by private wire. Orders for execution in Liverpool, London, and other foreign exchanges, are of course cabled to the firm's branches or correspondents.

How Margins are Watched.

Emerging from this department we find on the left a small cage devoted to the recording of margins. Each customer's account, whether in stocks, cotton, grain, coffee, or other commodities, is kept on a card about six inches wide and ten inches long, with the client's name at the top, and below a list of securities or commodities which he is carrying, on the long or short side.

If a trader buys 100 Steel preferred it is entered on this card at the cost price, say 90. If the original margin is $1,000, this amount is entered in a certain space. If the following day sees an advance of 2



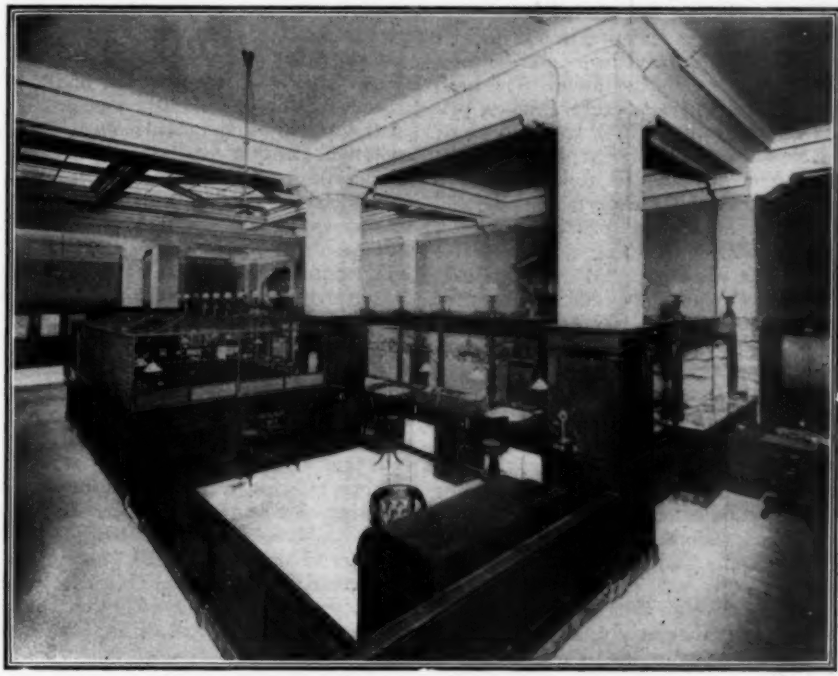
Organization Chart of J. S. Bache & Co.

points in Steel preferred, the price against the trade is raised to 92, and the equity altered to read $1,200. So that the condition of any client's account can be told instantly. Small accounts can be read at a glance—calculated mentally—by this method; large accounts can be quickly calculated; in case of a panic the cards can be divided among several clerks and close tab kept on everyone.

Just around the corner we find two Fisher Billing Machines, with an experienced man operating each. A triple sheet is used for each customer's transactions during the day. Our friend who buys the 100 Steel preferred would receive one of these sheets reading as follows:

"We have bought for your account and risk
100 U. S. Steel preferred at 90; commission $12.50; total amount, $9,012.50." There are two duplicates of this sheet remaining. One of these is designed to form part of the journal, the entries from which are finally posted in the ledger. The other duplicate goes to the margin clerk, as a basis for his entries. This is probably the most efficient method ever devised for simultaneously making out notices, handling margin entries, and preparing the books for the next day's clearances, and is characteristic of the up-to-date methods in force throughout the office. The ledgers, which keep several men busy, the journals, and in fact, all other books, where possible, are of the loose leaf pattern.

A daily balance of all the ledgers is made so that the firm can at any time tell exactly where it stands.



FOREIGN DEPARTMENT AND CASHIER'S CAGE

THE CASHIER'S DEPARTMENT.

This branch of the business embraces the handling of the actual securities (except such as are eliminated by the pairing off operations of the clearing house) as well as the collateral loans in which the firm carries its customers' securities. This Department occupies a large cage in the very center of the Banking Department, and is furnished with all the up-to-date appliances. Securities bought on the previous day are here settled for, and, if

the bulk of the previous day's business represented purchases, money is borrowed and loans made up to provide the necessary funds, and keep the bank balance good.

Each $1,000,000 worth of securities bought by the firm's clients requires a margin of $200,000. That is, the firm, in making $1,000,000 loan, must deposit with a bank $1,200,000 worth of securities. A loan may be on call, in which case it is paid off the next day or later. If it is a time loan, it runs for a certain definite period, and is at a fixed rate of interest. In the case of call loans, however, money rates must be carefully watched, and the rates on existing loans looked after so that the average interest rate for the day can be kept down. The head of this Department, therefore, has a private phone from his desk to the floor of the New York Stock Exchange for the purpose of keeping in touch with the money market, borrowing his money, and lending or borrowing securities, the latter operation constituting a considerable part of the financing. Arbitrage houses and others who have clients short of stocks, are heavy borrowers of securities. It is one of the paradoxes of the business that he who borrows stocks is really lending money and as money rates on these stock loans usually average slightly below call money rates, interest charges can be kept at a minimum by careful work in this department. Adding machines and other modern office appliances are in use in the cage.

Next to the cashier's cage is the Foreign Department, in which letters of credit and foreign bills of exchange are handled. In the far corner of the office is a large board-room, where members of the firm meet for luncheon and general consultation. Many a bank, boasting of millions in deposits has not at its disposal such a meeting-room as this.

The Investment Correspondence Department comes under the jurisdiction of an experienced man in this line, inquiries being originated by advertisements containing an invitation to write or send for literature, and carefully followed up with personal letters. Suggestions are made as to investment purchases, and requirements of all clients whose business is handled by mail carefully looked after. An important feature of this department is the Bache Weekly Financial Review, which has become one of the best known and most widely quoted in its field. The situation in this Review is treated from a broad banking standpoint, rather than from the purely stock market outlook.

Eighteen numerical files absorb the correspondence, telegraph vouchers and statements. Addressing machines are used for addressing envelopes. A time clock records the incoming and outgoing of 105 employees. The vault for the books, together with the filing and supply departments are built in, the latter being two stories in height. Individual lockers are provided for all clerks.

An important feature is a method of recording the gross and net profits emanating from each branch office, correspondent, or other department. A proportionate cost of the wire is added to the fixed charge of every branch office or other connection, so that each month's business shows whether that particular connection is a profitatble or losing one.

On the New York Stock Exchange the firm is represented by three members, in addition to which a number of $2 brokers are required. Memberships are also held on the New York Cotton, Coffee, and Produce Exchanges, Chicago, Boston, Philadelphia and Rochester Stock Exchange, Chicago Board of Trade, New Orleans Cotton Exchange, and Liverpool Cotton Association. Furthermore, the firm has branches in Albany, Troy, Rochester, Montreal, Philadelphia, Atlantic City, and Fifth Avenue, New York City. Fifty people are employed in these branch offices, making a total of 155 employees in all.

Altogether, this establishment is a most remarkable development of the branch office and private wire idea. Credit for the firm's advancement to its present magnitude is mainly due to the enterprise of J. S. Bache, head of the firm, and his chief associate, Wm. J. Wollmann, whose photographs are reproduced herewith.

Taken as a whole and viewed from a Wall Street standpoint, this firm's establishment and organization is a splendid example of Twentieth Century progress and enterprise.

* *Photographs by the courtesy of Wm. Schwarzwaelder & Co., N. Y., General Contractors. Henry Ives Cobb, Architect.*

Business Methods Applied to Wall Street

The reasoning processes, guiding the merchant and the speculator or investor in Wall Street, are essentially the same and are subject to the same analysis.

If all business or speculation, whether in merchandise or stocks, were conducted on a strictly cash basis, their extent would be largely diminished and possibilities for profit and enterprise extremely limited.

Credit is the foundation of all modern business; it made possible the great advance of the United States and is the cause of business expansion and activity.

The greater portion of all business, particularly large business, is done on credit. The merchant who restricts his purchases to the amount of cash on hand may do a safe business, and may make a living, but he must be content with a comparatively small business. The merchant with $50,000 cash capital may, by means of his established credit, enjoy the fruits of say $200,000 capital—three-quarters of which is credit. It is for such a system of credit that banks exist and the funds of the inactive benefit the active depositor.

By the use of his credit-capital the merchant widens his possibilities for profits, benefits himself and the world in general and, if his business affairs are conservatvely managed, provides employment for thousands who might otherwise be idle, and builds up a large and profitable business on a legitimate basis whereby cash-capital and credit-capital work towards a common purpose—profit.

Speculation in stocks on margin is the same principle of credit applied to finance. The speculator uses his cash for margin, his broker provides the credit and both are working together for a common purpose—profit.

The merchant buys with his capital merchandise which he anticipates will yield a profit—sell for more than its cost.

The speculator buys with his capital, stock which he has reason to believe will advance in value—sell for more than its cost.

Both are actuated by the same motive; both use the combined force of cash and credit capital and both will succeed or fail in the proportion of their correct foresight, or their ignorant impulses.

The merchant who quadruples his cash-capital with the assistance of credit-capital largely increases his possible income — widens his opportunities for profits.

The speculator who operates on the same system—margin, also makes the opportunity for realizing five times as much profit as if he bought for cash. The risk in either case, that of the merchant or speculator, is the same, provided both are conservative in their purchases and do not abuse their credit.

A financial writer has aptly defined speculation as a method for adjusting differences of opinion as to future values, whether of products or stocks. It regulates production by instantly advancing prices when there is a scarcity, thereby stimulating production, and by depressing prices when there is an over-production.

An Unfortunate Reference.

SUITOR—"I trust, Mr. Gotrox, you will not object to my becoming engaged to your daughter; I come, you know, from good old Knickerbocker stock."

OLD GOTROX—"Oh, you do, eh? Well that settles it. I've had all the Knickerbocker I want in mine, for one while."

An Antediluvian Marvel.

WAGGER—"Old Noah would have been a wonder if he had lived in these days. He could have given our modern financiers cards and spades, and then beaten them at their own game."

GAGGER—"In what way do you mean?"

WAGGER—Why he was the only individual who ever succeeded in floating a limited company when all the rest of the world was in liquidation."

About THE TICKER.—I never before received so much for my money. It is without a parallel.

W. F. TENNANT.

Running Expenses of a Trader's Account

Importance of the Fixed Charge on Every Trade, As Well as Some Other Charges Not Usually Allowed For

MOST operators when asked what the fixed charge amounts to on a hundred-share trade will say —"$27—that is, $25 commission and $2 tax." They are right in one sense, but there are two other important items, in connection with each transaction, which are seldom allowed for. These two items are the interest charge and, what we shall style, the "invisible eighth."

The interest charge on long stocks is a source of continual increase in the cost price. The majority of traders who operate on margin pay no attention whatever to this item, but when it comes to the end of a month in which high interest rates have prevailed, and the charge for interest looms large, they will come around and "kick" to the broker, claiming they have been robbed.

As a matter of fact, the interest charge on each trade should be roughly estimated by the trader when he closes out the stock, and forthwith deducted from the profit, or added to the loss on the transaction. This would remove one of the most important points of contention between broker and client, and add to the general satisfaction.

How Brokers Base Their Interest Charge.

Right here we might say that brokers expect to make only a very small percentage on their interest account, and the fact that the trader sees call money at 3 per cent. is no guarantee that the broker has been able to borrow all his money at that rate. The best brokerage houses average, daily, the cost of their time and call money. At the end of each month they average this cost for the month, and charge their clients slightly in excess (usually only a fraction of 1%) of what they have to pay.

That the broker is entitled to a small profit on this item no fair-minded man will dispute. He has to advance money on odd lots and "cats and dogs," both of which tie up a lot of capital. Then, too, the borrowing of the money, putting up collateral, and other detail in connection therewith, is an item of considerable expense to the broker.

In large houses this department requires the services of several clerks, and the only way a broker can reimburse himself for his outlay is by charging a slight fraction above the actual cost of his borrowed money.

We do not ever remember having seen this point made clear by any individual or publication, and we trust that the above explanation will lead to fewer arguments and less dissatisfaction in this regard.

To repeat, therefore, the trader who puts down his estimated interest charge when his trade is closed, will find that he is not fooling himself quite so often.

The "Invisible Eighth."

But there is another factor in profit production which is more important than the interest charge. Not one trader in fifty makes allowance for it, but it is there just the same, and operates with

clock-like precision. The title "invisible eighth" fits it rather well. We refer to the difference between the bid and asked price of a stock.

Let us suppose that Copper is selling at 50. This price—50—is not the market price; it is simply the last sale. The market price will be found either 49⅞ @ 50, or 50 @ 50⅛.

Assuming the latter price were the ruling one, and you wanted to buy 100 shares of Copper at the market, you would have to pay 50⅛ for it. Supposing the market is dull and that Copper does not move for ten minutes, at the end of which time you change your mind and decide to sell out the stock. The tape shows sales at 50⅛ and others at 50, so you figure that you can probably get out even.

Your broker goes into the crowd with 100 shares to sell at the market, and finding the bid price only 50 is obliged to accept that figure for your stock. The market, as you will see, has not changed at all. Transactions at 50⅛, representing purchases by those who wanted to *buy* at the market, and the trades at 50, representing *sales* by those who wanted to get out of their stock at the market.

We, therefore, have the anomaly of ⅛ loss made in a stock which actually has not moved since the purchase was made.

A Universal Rule.

The same principle applies to every transaction in every stock on the list, except that in some stocks the difference is a quarter, a half, one per cent, or, in the case of those with extremely wide markets, a difference of four or five points will exist. We have often seen the bid and asked prices on Lackawanna 25 or 50 points apart.

The buyer of 100 shares "at the market" in such a security would pay, say, 425 for a hundred shares, whereas, a seller a few minutes later could only obtain 400 for his holdings. That is one reason why active trading in these high-priced stocks is out of the question.

But do not let us get away from the main point of our argument, which is that every time a trader buys and sells 100 shares of stock he loses this invisible ⅛, ¼, or whatever the fraction may be.

Some critics may object to this on the ground that if we buy a stock at 50 and sell it at 55 we have made no loss, visible or invisible. The same argument holds, in such cases, however. We contend that if you are trading "at the market," theoretically the market is 49⅞ @ 50 when you buy and 55 @ 55⅛ when you sell.

In summarizing, therefore, we find that the commission for buying and selling is

that the commission for buying and selling is	$25.00
Tax on the sale	2.00
Interest on 100 sh. of Copper carried, say, 6 days at 6%	5.00
And the invisible ⅛	12.50
Totaling	$44.50

or nearly ½% against the trader on each transaction of this kind.

Of course the scalper, who is in and out of the market the same day has no interest charges, but this heretofore despised and disregarded ⅛ is after him like a shadow every day and all the time.

We do not wish to disparage active trading. It is the business of this magazine to expound methods and principles, to the end that those who engage in any of the various forms of speculation or investment may do so with their eyes wide open as to possibilities for both profit and loss.

There may be another side to this argument which is not quite clear to us. We shall be pleased to hear from our readers on any points in this connection which seem to call for discussion.

Some Valuable Investment Suggestions

By Montgomery Rollins

Being the Foreword from His Latest Book "Money and Investments"

(Continued from our January issue)

WHEN an industrial business, which has been conducted as a partnership, is changed to an incorporated company, and the public is invited to buy its securities, the intending investor should ask himself: "Why, if the business was such a good one, did the old firm wish to let the public into its profits?"

All kinds of plausible answers can be given to such questions, and in many cases the incorporation is justified. As a rule, however, such methods of financing industrial concerns are best justified where many firms or corporations, or both together, in the same line of business, are united under one management to reduce competition and expense. It is the capitalization of a single firm which is more to be guarded against.

Even in the consolidation of several "industrials," it is essential to consider if the business is dependent for its success upon the continued management of some, or the greater part of the original owners. If so, it is necessary, if such a management is retained that its ownership in the stock of the new company is sufficient to continue its interest to make the company a success or some plan adopted to insure as good or better management of the whole as the integral parts had formerly.

The question often arises as to the advisability of investing money for a long or a short time. The best method to pursue depends very largely upon the financial condition existing at the time of the investment. During the early part of this year (1907) corporations found difficulty in selling new issues of bonds at normal prices. Consequently they issued high rate notes running from one to three years, with the expectation that when they fell due the condition of the market would be such as to permit the refunding of these notes by the issue of long time low rate bonds in their stead.

Other bonds of the same corporations were selling upon the market at extremely low figures. Yet what did the public do? Instead of buying the bonds, they bought the notes in preference, thereby enabling the corporations to profit out of the expected advance in the bonds to be issued later, rather than themselves seizing the opportunity with similar bonds then on the market.

There was great hesitation on the part of the investors buying bonds at the then low figures; but when they have advanced to a price sufficient to warrant the issuing of bonds to refund the note issues, then will they be readily purchased, showing again that the public acts contrary to good judgment.

Some financiers doubt, however, if the corporations are judging the future accurately in the maturity of their notes, reckoning on refunding at a more opportune moment; but that matters not in this case, as it is the principle that it is desired to illustrate.

Two Good Investment Rules.

From the above it is very easy to deduce this rule: Buy short time securities when prices are high and the net return consequently small, and buy long time securities when prices are low and the net return high. This is all based upon everything else being equal; that is, the safety of the security being supposedly satisfactory.

Why do so many people buy a stock in some little known company with so little investigation? Such a person would not buy a small partnership interest in a business of long established reputation in his own neighborhood; one which he had every reason to believe prosperous, without the most minute investigation. But how does it differ from the other? The stock represents, to all practical purposes his partnership in the incorporated company. Is there some hypnotic influence in the names "stocks" and "bonds?" Or is it the distance which lends enchantment? The "prophet is not without honor save in his own country" and so, perhaps, the investor believes not in his local industries, and, perforce, must seek afar for an outlet for his money, buying on the faith of some newspaper advertisement.

By all this it is not meant that the seeker for an interest-bearing security should not make distant investments. Far from it, but either he should deal with a firm of untarnished and long-established reputation for fair dealings, or place his money near home in properties concerning which he has some certain knowledge. Choosing neither of these methods then let him investigate with as great care as would the deacon in a horse trade. There are enough good investments regarding which full information may be had without wasting time over those of uncertain value and facts regarding which are withheld from the searchlight of publicity.

Buying on a Banker's Advice.

At times a man—but more frequently a woman—says that there is a very small sum of money to live on, and that it is extremely necessary to get as high a rate of interest as possible, consistent with safety. The conscientious banker often advises putting the money in some good savings bank, or buying what are known as high grade investment stocks or bonds, and which return from 3% to 4% interest. They are the next degree removed from Government bonds in safety.

The customer will immediately say that he cannot possibly live on such a rate of interest, that he must have 5% or 6%. In spite of all arguing and urging upon the part of the banker he will insist upon this interest rate. The former, against his better judgment, and contrary to his strong advice, will select, to the best of his knowledge and belief, a security which will return this desired rate of income with as little risk as possible, knowing, all the time, that no matter how earnestly he tries there is quite an element of risk. Finally, the investment is made; all augurs serenely for months, perhaps years.

The banker may try as well as he can to "keep track" of this investment, and often succeed in persuading his customer to dispose of it in time to forestall a loss, and, possibly, secure a profit. Frequently, in spite of his best endeavors, a loss will occur, and then his troubles begin. He will wish a dozen times that he had absolutely refused in the beginning to invest the money; perhaps at the time he may have requested the man not to invest it through him. The customer may have replied: "Please advise me; to whom else can I go for advice?" The latter is apt to remember very little of this. The banker is to blame from the other's point of view; he ought to have known that something was going to happen to this security, and have sold it. He should have been more than human in his ability to foresee a loss; he has neglected his duty. There have been numerous cases where so little did the investor remember the conversation which took place at the time of making the investment, that he has heaped upon the banker the unjust accusation of having urged the purchase of the security.

Let the investor assume his or her proportion of the responsibility in case of loss, and give proper credit to the banker in event of extraordinary profits.

Bankers Are Not Infallible.

Remember, always, that your investment banker is not infallible; for it is not possible for any human being to carry continually in his mind facts in relation to the multiplicity of securities handled by him. It is not to be expected that he can be constantly and at all times fully acquainted with every detail and ready, upon call, to decide upon the merits of any question raised by his clients. Especially, in times of financial panics, is it impossible for him to give many issues

which have passed through his hands proper attention. It is natural that occasionally some one must err, and it is fair that the client should consider that he is only one among hundreds and, perhaps, thousands of other clients which the banker has to consider.

Now and then the purchaser of a security, particularly a bond, may not have money available for investment for some little time. The banker, as an inducement to him to make a purchase, may offer to sell the bond, deliverable at some later date to be agreed upon, merely charging the purchaser the accrued interest; *i. e.*, the rate which the bond bears until the date upon which he makes payment.

Suppose, however, the matter is reversed, and the purchaser requests this accommodation on the part of the banker. In the meantime, interest rates—market prices for money—advance considerably, so that it is evident that the banker must have been losing money in "carrying" the bonds for the customer at the "accrued interest" rate. Under these circumstances it would be perfectly proper, and really morally obligatory, on the part of the investor to offer to pay an additional rate of interest, for the time, sufficient to compensate the banker.

When it is Time to Sell, Sell.

In considering the advisability of selling a security, the original cost of it should not be given too serious consideration, especially if the cost were such as to show a loss. If it is a proper time to dispose of it, the cost should be left out of the question. Ask yourself whether or not you would buy at the present quotation, and if, for good reasons, you can decide in the negative, is it not a fair argument to sell? This does not mean that money is not often made by waiting, for all facts in relation to any particular security have to be taken into consideration in thinking of selling it as above indicated, but the mere fact that it cost more than you would give for it is no reason for delaying its sale.

That is the point it is desired to make clear, for probably much unnecessary loss has been incurred by those unwilling to take a small one, but who have held on and then taken a greater one in the end, because they allowed themselves to be influenced by the original cost.

Read and Know What You Buy.

When you purchase a stock, bond, mortgage, or whatever it may be, read it; see what conditions it contains. You may find therein some clause detrimental to your interests. It would not be hard to cite cases in which the holder of some stock certificates has suddenly discovered that they carried conditions, plainly stated, which, had he taken the pains to look, entailed hardships upon him.

It is not unusual for an investor to spend hours and, perhaps, days in patient thought and study in seeking what he deems a safe purchase, and then, at the last moment, spend scarcely any time on the security of the paper itself.

Opportunity

"They do me wrong who say I come no more
When once I knock and fail to find you in:
For every day I stand outside your door,
And bid you wake, and ride to fight and win."—The Philistine.

"Chance is a word void of sense;
Nothing can exist without cause."

'Tis no disgrace to run when you're scared.

Following the Precedent of Landis.

Houlihan—"Oi hear as how Fogarty was up forninst the Coort lahst week, an' got tin dollars, for batin' his old woman."

Shanahan—"Thrue for yez, an' fwhats more, the Joodge says as how if he cooms up agin, 'twould be a case of re-batin, and the foine wud be $29,000,000 be jabers."

The one who can wait is the one who will win.

Success is a fine disregard of difficulties.

Speculation

By J. ARTHUR JOSEPH

SPECULATION, as defined by the Standard Dictionary, is, "*A more or less risky investment of money, in expectation of considerable gain, or in business or commercial transactions involving such a use of money, as buying commodities to hold them for the rise in price, as to deal in futures, commonly called options, is a mode of speculation; a speculation in railroad stocks, etc.*"

On the theory that "There is no royal road to Euclid," so it can be said that there is no royal road to fortune, as far as the securities markets are concerned. There is, perhaps, no place on the "foot-stool," where $1,000,000 is more lightly thought of, and a dollar harder to get, than in Wall Street. Even the messenger boys, who go around delivering stocks, receiving in exchange certified checks, that run up frequently to the hundreds of thousands of dollars, shoot craps for pennies, between offices.

The late William H. Vanderbilt used to say: "A man who puts up 10 points margin is a speculator; but he who buys on 20 points, is an investor." This might have been the case thirty years ago, when the late William H. Vanderbilt was quite a power in Wall Street, but the axiom does not hold good to-day. Neither 20 points, nor 120 points, nor that sum multiplied by 2, would have been sufficient "cover" to have protected a deal in Great Northern preferred, and certainly 100 points margin on Delaware, Lackawanna & Western, Delaware & Hudson, St. Paul and Union Pacific, would, in the past few months, have melted like a snowball thrown into the fires of Hades.

Addison Cammack, one of the most noble characters that Wall Street ever knew, a gentleman of the best integrity, and one whose friends were legion, believed, "If one is wrong for 2 points, no matter on what side of the market he is dealing, he had better quit, or if he persist, he will involve himself in heavy losses"—and this rule, from my own personal observation, based upon many years' experience, has almost invariably proven correct.

Mr. Jacob Rubino, who is still alive, but has ceased to be a factor, was papa of the saying: "Early information and a big bank account—will bust anybody." He tried it over and over again, and at last concludtd that his first impressions, predicated upon experience, were eminently correct.

These verbal illustrations will show that on the theory, "All roads lead to Rome," the deductions of great men have uniformly agreed as to the merits—or rather, demerits—of speculation.

The great mistake that many who

engage in the market make, is to accept opinions as information. Mr. A., for instance, meeting Mr. B, will say: "Buy Lackawanna; you will make a raft of money out of the venture." Mr. B will probably not ask Mr. A what he knows, and if he did, the adviser would be unable to give a legitimate reason for his proffered counsel. He, in all likelihood had no better foundation for his advice than his own private opinion. There was absolutely no information at the back of it.

Some twenty-five years ago, the market was "worked" almost wholly on opinions. For example, a coterie of gentlemen met at the old Windsor Hotel —which was then the rendezvous for the *habitués* of Wall Street. A pool, or rather, a number of little pools, would be formed; some of them would be representative, say, involving 10,000 shares of one single stock. D. P. Morgan, who was known as "Two-in-ten Morgan," would take 2,000, leaving 8,000 for the other gentlemen who cared to woo Fortune. After the stock was bought the following morning, then "information" (?) would be disseminated through the many channels, and if a following could be obtained, it was comparatively an easy matter for the boomers to slide out of their stocks. The next night, another combination would be arranged, very much after the manner that pools are made at sea, on a ship's run.

Recently, it was no unusual thing for one or another multi-millionaire, chiefly among Pittsburgers, to buy, for individual account, 100,000 shares of stock at a clip. I have known gentlemen like Henry Clay Frick, Charles M. Schwab, Daniel G. Reid, and in a lesser way, John W. Gates, Norman B. Ream, and William Ellis Corey, to take what in olden times would have required the combined efforts of a dozen D. P. Morgans, and his friends. Naturally, if one *knew* just what a multi-millionaire was about to do, he might make "a hog killing," as the colloquialism goes, in forestalling the purchases, or the sales, of the operator in question. It was customary, in years gone by, for the clerks who distributed the orders to brokers on the floor, of the New York Stock Exchange, to buy for their own account, the first 100, and "stop" the last 100, on the business that he had to give out. Many of these so-called "boys" waxed exceedingly rich. Their salaries of $15 per week, like that of chorus-ladies, counted for nothing, compared with the perquisites that came their way. There are a number of these *old* "boys" now in affluent circumstances, running offices of their own, but to their own experience let it be said that the orders that are now given out are handled a little more carefully than they were in the days of their own "apprenticeship."

You who read the newspapers, and peruse the "Financial Advertisements," may have remarked that since the panic of last March, "Discretionary pools" no longer form the bait to attract the unwary. These "520"—or less—"per cent." promises, fail to breed in anything but a broad and rampant bullish market. The public, which is always gullible, thinks that Wall Street is the Tom Tiddler's ground, upon which gold and silver may be picked up, with the simple effort of bending one's back. Hence, the avidity with which it will "hasten $5" or more, in order to get into the (losing) game.

To Jay Gould was attributed the saying: "A sucker is born every hour." He did not, however, say when he died, and judging from what I have seen, I am inclined to believe that Methuselah-like, they live 967 years, or, like Tennyson's brook, "go on forever."

It is only a few years ago, in the heyday of prosperity, that some Eastern gamblers, taking some up-to-date armchairs with them, landed in a recently discovered gold field. They opened a faro game, and invited the miners to try their luck. Before the end of the week, they had to take out *les fauteulis*, and substitute camp chairs. A few days later these were removed, and rude benches placed in their stead, and before the close of the month, a placard was put outside the door, reading: "The rooms are full; no more admitted, but anybody that wishes to bet, let him put his money under the door, and we will place it for him." A swell chance!

The greatest error, one which involves frequently considerable loss, is made by those who take a fixed position, marketwise, and who cannot, or rather, will not, change under any or all circumstances.

An earthquake cannot shake them, and an eruption like that of Mont Pelée would fail to blow the idea out of their head. These people can be likened unto a clock that is *sans* wheels, *sans* mainspring, *sans* pendulum. There is nothing but the face and hands, and yet, twice a day, if one should happen to be in the vicinity, at the psychological moment, and look up at the clock, he would find that the time was right. It would be accident, of course. Whenever these people of one idea are right, they can simply thank chance. They have neither information, nor for that matter, opinion to substantiate, or even back up their position.

Perhaps as great a fallacy (or shall I say fraud?) as ever was perpetrated, has been done by the chart. The "chart" is supposed to tell you how the market will go, because on certain days, at certain times, in the past, certain stocks reached a certain level, from which they made new ground. If they attain a "double top," and then go fractionally higher, that is a sure indication that it is only a question of time when they will go "out of sight." On the other hand, if they strike a "double bottom," which means if they twice go through the lower prices that were previously recorded, it is an infallible reason why "the bottom must fall out." Nothing is allowed for change in conditions, nothing is permitted to assail the accuracy of the chart, which, unlike the aneroid barometer, that gauges, clock-like, the moisture of the atmosphere, indicates nothing but *hot air*.

There are times, and these come along at very frequent intervals, when one is put in possession of facts that have a whole lot of meaning. John W. Gates (who has temporarily withdrawn from the market, but who will be heard from again in Wall Street in the course of a very few months) is a great financial genius. He has accumulated a vast amount of wealth, and without speaking specifically, I should say that his fortune to-day, notwithstanding many adverse and reverse *coups*, amounts, in round figures, to $25,000,000. It was he who wrested the Louisville & Nashville Railroad Company from August Belmont, in 1902, and who *compelled* (the word is used advisedly) J. Pierpont Morgan to buy the property back at an enormous profit to Mr. John W. Gates. His friend, Edwin Hawley, likewise made a handsome sum, through following Mr. John W. Gates' advice, or, I might add, information, because he told his intimates, days in advance precisely what he intended to do. He bought "calls" on tens of thousands of shares of Louisville & Nashville in the London market, and he likewise picked up on the local Stock Exchange a sufficient number of "short" contracts to make the sellers rue the day that they disregarded information.

Mr. George A. Kessler, who was the largest "winner" through the Tennessee Coal & Iron deal, made no secret of his operations. To all who had a right to know what he was doing, or had any claims whatever upon his friendship, he was outspoken, and they, if they followed his counsel, might readily have bought Tennessee Coal & Iron at any price from 50 to 75, and floated out of the stock at from 135 to 165 (it sold at 166 in November, 1906) before the necessities that compelled the sale of the property to the U. S. Steel Corporation arose.

I could cite scores of other instances, in which the late Cyrus W. Field, Jay Gould, Russell Sage, Calvin S. Brice, Samuel R. Thomas, J. Pierpont Morgan, R. P. Flower, Daniel G. Reid, and James R. Keene were interested, and from whom, one and all, information of the most valuable description was forthcoming. Much of it did not work out at the moment, but the programs, as originally outlined, were subsequently carried out to the letter. And there are to-day a dozen active operators in Wall Street, who are planning big deals, all of which are more or less contingent upon the monetary conditions, and as these are improving considerably, they may spring them now at any moment—and when they do take the center of the stage, as, star-like, they will appear, the performance that they will give will be not only satisfying, but highly remunerative, to those who attend.

Securities vs. Mortgages

Investments in Wall Street securities have distinct advantages over investments in real estate or in the stocks of concerns not sold on the Exchange. During business hours, six days each week there is a constant market in Wall Street. A million dollars can be invested in sound securities much easier and more quickly than could a thousand dollars be invested in a mortgage. The same million dollars worth of securities can the next day be turned back into cash again with equal facility.

Wall Street securities can be imediately used to obtain a loan—simply carry them to a bank and the credit may be obtained in a few minutes. Contrast this with the trouble, expense and delay necessary to make a wise investment in a real estate bond and mortgage. There must be a search of the title and the risk of error, the mortgage to secure the loan must be duly recorded, and the loan must usually remain for a definite period. If the interest is not properly paid or the loan paid at maturity, a costly and tedious legal process is necessary to protect and secure payment of the loan. The property must be sufficiently insured against fire and a watch kept on the tax records. The constant changes in real estate values add to the risk and worry while the difficulty of withdrawing the loan if trouble is foreseen, renders a real estate investment incomparably less desirable than an investment in sound bonds or good stocks which are listed on the Exchange.

Wall Street exists because it is essential to civilization—because the business of the age has need of it. Like all things human, this agency of enterprise and thrift is sometimes abused rather than used. Speculation is an offspring of investment, and in itself is legitimate and helpful when wisely guided. Reckless speculation leads to gambling and frequently develops fraud, but conservative speculation founded on a reasonable knowledge of values, guided by experience and limited in its extent to the easy resources of the investor, is a business proposition no more hazardous than are mercantile or manufacturing enterprises.

Early Mania For Speculation.

Not only individuals, but masses of people and nations must go mad at certain periods, for in no way else can be described the furious seething mass of people whirling around a group of needy speculators in the Rue Quincompoix, Paris, during 1718 and 1719. In these years Law and his Mississippi Company ruled everything. The disease proved infections, for, leaving Paris, it came to England and found its culmination in the South Sea Bubble. During this time, and in fact for a period of about 40 years, the greatest scoundrels in England were starting insurance companies and selling shares at prices ranging from a quarter of a dollar to $5,000. At the time of the South Sea mania there were more than two thousand schemes afloat in the shape of joint stock undertakings representing a nominal capital of $2,500,000,000, about five times the current cash existent in all Europe. It was only necessary for an unknown person to take a room and to advertise to receive subscriptions amounting to thousands of pounds, which, it is needless to say, disappeared along with the promoter. At this time all manner of insurance swindles were affoat. Advertisements were seen offering to insure horses from natural death, to increase children's fortunes, and there was even a company which offered general assurance from lying.—*World's Work.*

Jay Gould's Maxim

"When I am a bear I like to row by myself, but when I am a bull I want to have everyone else pulling with me."

In my estimation the TICKER is the best ever. It fills a much needed and long felt want in financial circles for a publication that is at one and the same time comprehensive, instructing and interesting from "lid to lid."

Very truly,
FRANK G. MENKE,
Fin. Editor.
The Cleveland Press.

Who Gets The Profits?

A Problem-Story involving some lost Bonds and a deal in Wheat

By "BARD"

Author of "Ahead of the Ticker"

SYNOPSIS OF PRECEDING CHAPTERS.

A young man having no experience in Wall street finds himself out of a position and spends his last nickel to ride downtown on a Broadway car for the purpose of answering an advertisement inserted by a Wall street house. An accident occurs in which a passenger, an old gentleman, is severely injured. The victim is carried into a drugstore, leaving behind him on the car seat an envelope containing six $1,000 bonds. The young man finds the package and makes an effort to approach the injured man and return his property. He is prevented from doing so by a police officer who threatens him if he does not move on. He is angered by the officer's attitude, and, thinking that he had better await developments, slips the package into his pocket and walks down Broadway, feeling that there may be a chance of a reward for returning the securities. With the bonds in his pocket he enters the broker's office for the purpose of applying for a position. While waiting for the manager he falls into conversation with one Dilwinkle, who is trading in grain. Dilwinkle, one of those enthusiastic characters who knows just what is going to happen in the market, urges him to buy wheat. He knows nothing whatever of grain trading, but Dilwinkle figures it all out for him, insisting that he cannot lose.

"Wouldn't they sell the bonds?" I asked, doubtfully.

"Sell them? What for? You only put them up to guarantee your account, don't you? And as long as you keep the account good they have no right to sell them."

"And do you think I can make a bunch of coin by buying wheat?"

"Ain't I just been telling you? Sure, you can."

"And within two or three days?"

He assumed a dramatic pose, and after a pause of sufficient duration, began as follows: "My friend, when I went to my home after the market's close last Saturday I got to thinking the thing over, and I said to myself, 'Dilwinkle, you was one big fool, not to get long of that wheat before it started to go up.' And all night——"

"Who's 'Dilwinkle,'" I interrupted.

"Dilwinkle? That's me. That's my name, Peter Dilwinkle. And all night I dreamed about it, and before morning I was a hundred fools, if I was one. I had a feeling. Something told me that I had made the mistake of my life. All day yesterday I was kicking myself with both feet to think I should see such a chance and then not jump at it, and last night I dreamed about it again. I was standing at the ticker when the market opened this morning, and——"

"Why, the market hasn't opened yet, has it?" I asked.

"No, no, no. You don't understand. This was in the dream, already."

"Oh, I see. You didn't wake up yet."

Dilwinkle looked at me with a pained expression on his face. "Yes, you bet, I am wide awake now. You should not joke me so, like that. Now listen to the wonderful thing that happened. And the first quotation on the ticker tape for December wheat was eighty-four and three-quarters. Last Saturday it closed at eighty-four and one-quarter."

Well, this *was* wonderful—to Dilwinkle, at any rate. I could see that he was all broke up over it, but to my dull way of thinking the reason was not very evident. So I asked:

"And what of it?"

"What of it, do you say? Why, don't it speak for itself? Didn't you ever believe in a dream? And if you had lost

fifty dollars, wouldn't *you* think something of it?"

Yes, I told him, I probably would; but how did he figure it that he was out fifty?

"Well," he explained, "if I had bought ten thousand bushels Saturday I could have got it at four and one-quarter. When I buy it to-day I must pay three-quarters. I lose the difference, and on ten thousand bushels it amounts to fifty dollars, already."

"But you haven't lost it yet," I said, consolingly. "And furthermore," I continued,, "you don't have to."

'How can I help it?" he asked, evidently surprised that I should have the audacity to make such a statement.

"Don't buy any wheat, if it opens at three-quarters. Wait until it gets down to one-quarter again." Personally I thought this was a pretty smart idea. But the Dutchman looked at me pityingly. It was plain to see that my prospects for future success as a speculator had suddenly suffered a big drop in his estimation. He assured me that we wouldn't see wheat at 84¼ again for many a day, and then fell to explaining the mysteries of margin trading.

By this time quite a crowd of traders had gathered 'round the ticker, and I noticed by the clock that it was nearly time for the wheat market to open. They were making up a pool, each member contributing a dollar, and the closest guess on the opening price taking the pot. This, I afterward learned, was quite a regular feature of the opening hour, and Dilwinkle suggested that we go into it. Naturally, not having a cent in my pocket, I hesitated; but he was so sure that the market would open at 84¾ that he said it would be only fooling away money to put in two guesses, anyway. He suggested that we each put up fifty cents, and enter just one guess. I bluffed again, saying I had no change, but in another second he had entered a dollar in the pool, for our joint account, saying that we would divide the spoils. The fact that I owed him fifty cents didn't seem to bother him a bit. He took it for granted, evidently, that a man with $6,000 in bonds in his pocket was good for any amount of small change.

We all crowded around the ticker now, the opening quotation on wheat being due any second. The excitement was intense. Most of the guesses were ranged close to Saturday's closing figure, several of them being at "split" quotations. Dilwinkle's bid, half a cent higher, was not considered to be anywhere near the money at all. One member of the pool, whom I soon learned was a very successful trader, had placed his guess at a quarter of a cent decline. I was wondering where I would get the fifty cents necessary to make good my share in the pool, and just then one of the traders standing over the ticker called out: "Here she comes! Wheat! December! Eighty—four—and—" Here there was a pause, but in another instant he thundered out: "THREE-QUARTERS!"

The crowd looked as if it had been scooped by a patrol wagon, and then there was a craning of necks, that every man might see with his own eyes, and seeing, believe. I never would have thought that a measly half-cent would rouse so much interest among men accustomed to dealing with dollars. The pool money, seven cases, was handed to Dilwinkle, and he in turn passed three and a half to me. I paid back the fifty cents I owed him, and felt like a king into the bargain, for I had three dollars in my pocket—lunches and carfare for as many days.

The room now was all bustle and excitement, with everybody running back and forth between the ticker and the order window, getting rich. All told, there were three tickers, and each of them seemed to be exerting itself to make the most noise. There were about twenty men in the room, and the excitement was increasing. I felt myself catching the fever. Dilwinkle was just returning from the order window, where he was told that his ten thousand December wheat had been purchased at four and three-quarters, and he looked happy. Certainly there was something about that Dutchman and his ideas that commanded respect, especially since the opening of the market had coincided exactly with his predictions. I didn't take much stock in his dream, further than my belief that it was simply a natural result of his pre-

viously formed convictions, but even in this there was food for reflection. Pitted against all the other wheat traders in the room, his judgment had proven itself far superior, and so, if I was to wear diamonds, why not follow Dilwinkle?

Again we talked of the market, and he was more positive than before that a big advance was due immediately. I felt that he was right, and was rather pleased when he took me by the arm and forced me to the little window, where I was to arrange for the opening of an account. The manager looked over the bonds and evidently considered them just as good as cash, as Dilwinkle had said. They were selling at 107, I learned, and would be accepted as margins at a cash value of 90. Was that satisfactory?

I said it was, and in another moment was tucking away in my pocket a receipt for the six bonds. Their trading value was $5,400, and as the house required five points protection, I was thus enabled to carry a maximum quantity of 108,000 bushels. Dilwinkle figured this all out for me in about seven seconds. It would have taken me a week, and then I should have doubted the result. One hundred thousand bushels! Why, that must be about the whole year's crop, I told Dilwinkle, but he laughed. "They raise this year maybe six hundred million bushel, and maybe not so much," he said. "That's why the price is going up. Crop small. But even so, you need not worry. You buy your hundred thousand bushel and the market never know it."

But in spite of his assurance I wasn't quite easy on this point. Buying even this small fraction of the country's entire wheat crop struck me as a pretty saucy thing to do, and I concluded to sit down and think it over for awhile. Dilwinkle, of course, was disgusted at the delay and went across the room to look at the ticker. Returning shortly in high spirits, he announced that the market was stronger than ever. There had been a few sales at 84⅝ soon after the opening, but it was now ⅞ "bid," and the trading was heavy at the advancing prices.

"Why, why, why do you sit here, and always nothing doing?" he exclaimed, quite out of patience with me. "Is it that you are yet afraid of losing money, when you see the prices going higher and higher and higher, all the while? I don't think you know a bull market when you see one. Ain't I right?"

Oh, I said, it was a bull market, sure enough; anybody could see that. But I wanted to get my bearings. I didn't tell Dilwinkle that the real cause of my hesitation was a dislike to plunge into risky speculation with another man's money. What I was looking for was an iron-clad cinch, and I had privately just about reached the conclusion that I would keep out of the market entirely, unless I could figure out some sort of a sure thing. Of course, if I did plunge and lost, I could show that I came by the bonds honestly enough; I found them in the street car during the excitement caused by the accident, and as long as I didn't sell them, or attempt to, I couldn't see where any crime was being committed. Evidently I was safe enough, under the law, but I felt that it wasn't a square deal, just the same; and this idea wouldn't down.

While these thoughts flashed through my brain for the hundredth time Dilwinkle had sat silently observing me. "Now, you listen to me," he began. "I have got a plan whereby you can make all this money if you win, and if you *lose* you don't lose it. What you think of that?"

I told him that such a proposition gave me a headache. What was it, another dream?

"No, sir, it ain't a dream, and you ought to be sorry for that," he answered, reproachfully. "Any how if it was a dream what good would it do you? Didn't I tell you already of one dream that should have made you a millionaire. and here you sit, still nothing doing. No, sir, this is no dream. All you have to do is to buy puts. Then you *can't* lose."

It began to look interesting. "What are puts?" I asked. I had often heard of "puts" and "calls" in a vague sort of way, so that my recollection of them was just vivid enough to lend a coloring of truth to Dilwinkle's suggestions. He went on to explain:

"A put is a privilege. If you buy a put it costs you one dollar, and if the market goes down, and you are long, you

don't lose anything. You put the wheat to some other fellow, and then he has to stand the loss. If the market goes up and you are long, you make money just the same as if you didn't have no put. In other words, it insures you against loss. If you buy *puts,* you can't lose."

There was something about this put racket that hit me all over. It looked so danged easy, however, that I was afraid there was a string tied to it somewhere. "You haven't got any puts, have you? Why don't *you* buy them?" I asked.

"Why don't *I* buy them? What's the use? Ain't the market going up, and ain't I long of it? Am *I* afraid it will go down? Why should I spend money for puts?"

It did look that way. "So, then," I said, "puts are only for chicken-hearted traders with cold feet."

"Well, if you want to look at it that way, yes. You can say just as you like. If I was afraid the price was going away down I would buy me some puts, too. But I ain't afraid, so I save money."

I jumped to my feet and went over to the ticker, Dilwinkle following close behind. December wheat had worked still higher, and was now quoted at 85⅛. The Dutchman was frantic with joy. "Didn't I tell you it was going up?" he cried. "Run, quick! and get in your order. In a minute it will be jumping up a quarter at a clip."

I drew him to one side again and pumped for more information, and the more he explained the more evident it became that at last I was in touch with a dead sure cinch. As I sized it up, puts were invented expressly to be used when you were speculating with another man's money. Then I stepped to the window and told the order clerk that I wanted to buy a hundred puts good for three days, which would carry me through to the close of the market on Wednesday. He said he didn't know what the price would be, and at once telephoned to their grain man to find out. This seemed a bit strange to me, as Dilwinkle had said the price was one dollar per put; but I waited in silence. In about five minutes the reply came. Stepping to the window the clerk said:

"We can get you a hundred puts on December for three days, at eighty-three and three-quarters; do you want them?"

"And the market now is what?" I asked.

He leaned over to look at the tape on the office ticker. "Last price is eighty-five. Has been one-eighth."

Did I *want* them? Well, I thought, that was a fool question, for sure. Why wouldn't I want them, when they were selling a point and a quarter under the market? "Sure, I'll take them," I said; "and a hundred more beside. Make it two hundred." I was tempted to buy a couple of thousand.

Then I went back to the ticker, and found wheat again selling at 85⅛. "Did you put in your order?" asked Dilwinkle, to which I replied in the affirmative. "And did you buy some puts?" Yes, I told him, I got the puts, and at 83¾. I didn't say anything about my smart trick in doubling the quantity.

"Eighty-three and three-quarters," he repeated, half to himself. "Well, that's not so bad, not so bad. I thought, though, maybe you could get them for about eighty-four."

"Why, of course I could if I wanted to," I replied.

"Well, then, why didn't you?" he asked, turning from the tape and looking at me in surprise.

"Why didn't I pay eighty-four when I could buy them at eighty-three and three-quarters? Dilwinkle, are you crazy? Wouldn't I naturally buy them as cheap as possible?" I retorted, with just a shade of disgust at his apparent lack of perception.

The tape slipped from his fingers, and I could see by the look on his face that I was all to the bad. "Oh, my friend, you don't understand it a little bit," he said. "A put is a funny business. The cheaper it looks, the more it costs you. It works just backwards. If you could buy a put *above* the market, then you would be doing a big thing." And with that he launched forth into a long explanation, at the end of which I was considerably wiser in respect to puts and the way they operate. But I had my two hundred now and regrets would not help matters any.

We returned to the ticker and found the market in something of a slump. De-

cember was 84¾-⅞ split. Next it came ¾ and then ¾ "asked." It bobbed up to ⅞ again, and there was a good deal of trading at that price. Some one in the crowd said the price had slumped in sympathy with corn, the market for that cereal having suddenly turned weak. Corn continued to sag, and pretty soon wheat started on the down grade again, and this time it worked as low as 84⅜.

Dilwinkle had the blues. My affairs seemed to trouble him about as much as his own, especially the fact that I waited so long, all against his advice, and then got in at the high price.

"What are you talking about?" I asked him. "Weren't you just telling me a little while ago that it was best to buy as high as possible?"

"Yes, when you're buying puts," he answered. "But don't you know enough to buy wheat as *low* as you can get it?" He seemed to be pretty much disgusted at my lack of common sense.

"Well, *I* haven't got any wheat. I didn't buy it yet," I told him.

"Didn't you *tell* me you bought some wheat?" he inquired, in astonishment.

"Never said a word about it."

Then explanations followed, and in another minute I had placed my order for the purchase of a hundred thousand bushels, "at the market." December had dropped another eighth, and was then quoted at 84¼. It soon recovered to ⅜, however, and when I got my report I found that fifty thousand had been bought at ¼ and the other fifty at ⅜. Dilwinkle was happy now, notwithstanding he had a loss in his open trade. He declared that a man with my luck could make money buying wheat in a bear market.

For some time the price hung around the ⅜ quotation. The break in corn seemed to have terminated, and this appeared to relieve the pressure on wheat. At the beginning of the last hour some good buying set in, and within 30 minutes December had regained all of its early decline, and stood at 85⅛. In the last fifteen minutes corn turned particularly strong, advancing ⅜ of a cent, and wheat, not to be outdone, came 85⅛-¼, split. In the last two minutes December climbed up to the top figure for the day, and closed at ¼ "bid."

It was a grandstand finish. Dilwinkle was so excited he could hardly contain himself. He had a profit on the day of $50 and nearly knocked me down by announcing that I was ahead of the game to the extent of nine hundred and thirty-seven dollars and fifty cents! I told him I didn't believe it, but he convinced me, after much figuring, that he was right. Of course, he said, I was out a hundred dollars on my puts; but then a little thing like that didn't cut any ice. I mentally noted the fact that I was out two hundred on the put business, but still, he was undoubtedly right. What did a trifle like that amount to, when one was making a thousand dollars a day?

(The next chapter describes a rattling culmination of this deal.)

"A Drop in the Bucket"

How doth the speculator live?
He never seems to rest,
But hovers 'round from ten 'till three,
His money to invest.

With eager eye he scans the board,
With one continuous stare,
And at the market's rise and fall,
He turns a bull or bear.

And when the morning "Dope" is read,
He gets the same old tip,
To sell on every rally,
And buy on every dip.

A lazy man is no better than a dead one, and takes up more room.

Grain Privileges

An Interesting Explanation and Some Live Examples

By Thomas Gibson *

PRIVILEGES in grain or other commodities are based on the same general rules and principles as those on stocks. These privileges are heavily dealt in on wheat and corn in Chicago. They are designated, however, as "ups" and "downs" in order to evade local laws prohibiting transactions in "puts and calls." The "ups" are calls; the "downs" are puts. Most of the grain privileges handled in Chicago, or based on Chicago prices, are of a day to day character, insuring only for the next day's price changes. The ordinary charge is $1 per thousand bushels. For $1, therefore, the small gambler, or speculator, may purchase, say a call on 1,000 bushels of wheat at 90½ when the last price recorded was 90. If wheat reaches 91½ during the next day's session, he has a gain of $10 less the cost of the "call" and brokerage.

The small capital required for this form of trading, the fact that loss is limited to the original cost of the privilege, and the great possibilities in case of extreme movements, make "puts and calls" very popular. It may be said, however, that they are, as a rule, poor property. The writer has kept an account of the transactions in "puts and calls" handled through a large concern for almost two years and found that only about 35% of the money paid for these privileges returned to the purchasers. That is to say, the profit shown to purchasers of "puts," "calls," and "straddles" was only about $350 out of each $1,000 received by the sellers. After deducting the item of commission charges, it was found that the sellers of privileges reaped over 50% profit each year. The experiment referred to was based on grain privileges, but would probably hold good in stocks. The *sellers* of these "puts and calls" are among the brightest men in the street, and when they make prices they do so on the absolute basis that they have the best of the bargain and the buyers are usually a public element. In the test referred to, there were never three consecutive days when either "puts" or "calls" were good. There was on one occasion in the period consulted, an advance of over 20 cents a bushel in wheat in three days, but "calls" were good only on the first day of the advance. On this occasion the "calls" were good for about 2 cents per bushel on the first day's rise, but the sellers offered nothing for the second day, except at prices far above the market, and although the market advanced 6 cents per bushel, wheat was not "called." On the third day, prices for "calls" were prohibitive, ranging from ten to twenty cents above the closing price and again wheat was not called, although the market advanced 8½ cents.

In the accounts examined, one seller of privileges on wheat had an open order to sell 100 puts and 100 calls every day at the ruling price. He thus received $200 daily and invariably "took his loss" whenever the privileges operated against him. That is to say, if wheat closed one cent per bushel above the call price, he would be called for 100,000 bushels on his privileges, making him short that amount of wheat. This he bought in at once and pocketed a loss of $1,000 less the $200 received. Although he accepted some severe losses now and then, his account showed over $30,000 profit on a year's business.

Another account was operated on a different principle by the seller of privileges and resulted in even larger profits. This individual would sell ten "puts" and ten "calls" on wheat each day. In the event of his being called, *i. e.*, short of the wheat, he would, on the next day sell no "calls," but 20 "puts." In the event of a decline below the "put" price,

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* *From Mr. Gibson's "Cycles of Speculation" —Moody Corpn.*

he had enough short wheat to protect ten of his "puts" and in reality automatically close out his ten thousand short, frequently at a profit. As has been stated, his profits were greater than in the first instance quoted. There was, of course, a more highly speculative element in his form of operating than in the other method, but the operator was never either long or short more than 10,000 bushels, and received about $6,000 a year or 60 cents per bushel from his privileges, in addition to the accruing profit for the curtailing of loss by his mechanical method.

In the accounts examined the persistent purchasers of privileges all finally lost money, except in an few cases, where lines acquired on "puts or calls" were carried to a successful conclusion in the course of time. That is, a purchaser of "calls," finding a profit in his privilege, would call the wheat and *keep* it. This, however, resolved the matter into pure speculation, as the maximum benefits derived from this form of trading can only be correctly measured by the profit shown at the expiration of the "put" or "call." That is to say, the seller need suffer no greater loss than that shown when the contract he has given matures, and consequently the profit to the buyer cannot be greater except through speculation.

It would appear from these facts, that the purchasing of privileges is a poor business proposition, while the selling of privileges is a money making affair. This is true. We need only compare the kind of men who *buy* "puts and calls" and those who sell them to have this truth made apparent. The late Russell Sage was a persistent writer of these instruments and made a great deal of money by the process. The late Edward Partridge also made a good deal of money in this manner in the Chicago Wheat Market. He also used privileges to aid his manipulative campaigns. On several occasions, he sold "calls" heavily through the day, then suddenly bid wheat up just at the close of the market, effecting a closing just above the call price. The scattered purchasers would call the wheat and put Mr. Partridge short several millions at a high price, which was just what he wanted. He could not have sold as much wheat in the open market without breaking the price several cents. On the same principle, he used sometimes to sell a great many "puts" when he wished to cover a line of short wheat and rush the price downward at the close, thus enabling him to purchase a great line without disturbing the market by bidding for it. The process only worked a few times, however. As soon as it was discovered it failed, as the call price, when reached, met with such a wave of selling that it was impossible to break through it, and the manipulator was "hoist with his own petard."

There is another drawback to the habit of buying privileges—a mental one. They are frequently made the basis of positive trading with disastrous results. The man who believes in an advance in certain shares or commodities, frequently purchased privileges instead of following out his own convictions by actual trading. Thus the man who had good reasons for expecting an advance in wheat at the time of the 20 cent advance mentioned above, and who used either "puts" or "calls" or both, as a means of operating on his opinions, would have reaped less than two cents a bushel during an advance of twenty cents. He might, of course, have called the wheat on the first day of the advance and remained long, but in that case he would merely have been speculating with equal chance of loss or profit in ensuing transactions. Aside from the initial two cent gain, he would have been in no different position than if he had purchased and held the cereal on margin.

It is the writer's opinion, founded on the experience set forth above, that it is much better to effect transactions in the ordinary manner, than to depend on privileges. If "puts and calls" are dealt in at all, they should be sold, not purchased. The insurance companies make more money than is paid out in losses; so do the sellers of privileges. It may be well to add, however, that the man who runs an insurance company is in danger if he does not understand his business and his risks, or if he enters the field without sufficient capital to provide for possible initial losses. All this applies to the seller of privileges.

HOW MONEY IS MADE IN COPPER STOCKS

By Simon J. Beahan, With Hayden, Stone & Company.

How is money made in the copper stocks?

This is a question often put to us. It is easy to reply, but not so easy for those who hear to carry out the suggestion.

My answer would be—he makes the most money in copper stocks who buys when the metal is at its lowest; when everything in connection with the copper metal market and with copper stocks, is abnormally depressed.

It is obvious that when the metal is depressed to or below the cost of production, many mines must shut down and the supply thereby be reduced. Besides, when things are in such a seemingly hopeless state, everything must tend toward improvement. The man who buys and locks away his securities at this level therefore must make money, for it must be remembered that copper is one of the three indispensable metals of the age; and that its use is constantly broadening until it is found in some form in every building and household.

Another point is — when copper sold above 25 cents, no substitute for it was found.

Seldom has such a rare opportunity been presented for the purchase of the better class of copper stocks, a number of which are selling at prices ridiculously low, compared with their intrinsic value and earning capacity, even at the prevailing price for the metal.

However, intending purchasers will save themselves money, to say nothing of needless worry, by patiently becoming familiar with the stocks under consideration before placing their orders, rather than draw hasty, and possibly, unwarranted conclusions from such reports as are frequently current and which fail to stand the closest scrutiny. Such reports are not traceable to those engaged in the legitimate field of mining, as statements from these sources are always perfectly plain and to the point.

The features to investigate in the purchase of copper stocks are permanency of values, management and operating costs per pound produced.

HOW THE COTTON CROP IS CALCULATED.

By Hugh F. McElroy,

Of Edw. Moyse & Co.

The end of the season sees practically all the cotton out of the territory from whence it comes. Therefore, it is only necessary to count what is shipped out, and add the amount consumed by mills within the cotton belt to find the crop.

Shipments by sea are furnished by the Custom House records. Shipments overland are counted when leaving the cotton country. All railroads leading north cross either the Potomac or the Ohio River. Cotton from west of the Mississippi River, by rail, to leave the cotton country, must cross the Mississippi River at St. Louis, Hannibal, etc. If the manifests of cotton on trains crossing these rivers are available, it is plain that the "overland movement" can be readily ascertained, and this is the method employed.

The crop is therefore computed as follows:

Exports to foreign ports.

Overland, crossing the Potomac, Ohio and Mississippi Rivers.

Southern consumption.

To this must be added or deducted any change in interior stocks, as compared with the beginning of the season, an increase in such stocks coming plainly from new growth, while a decrease shows that some of the cotton shipped out was from the previous year.

A careful system is followed to prevent duplicate counting — thus cotton shipped coastwise to New York or Boston from Southern ports or rail, is known at Northern points as "gross" receipts, but does not figure in the "net" receipts, which alone are counted in the crop.

Market Lectures

By Rollo Tape

I. MANIPULATION—TAPE READING—CHARTS

THERE are various ways of detecting manipulation. Most of them are the product of long experience and thorough technical knowledge. It is well to remember that the prime object in Wall Street is the sale of securities to the public. A market is a place where merchants gather for the purpose of selling goods and where buyers congregate with intent to purchase. It is perfectly natural for those who have goods or securities to sell, to dwell upon the fine points thereof, the intent being to create in the purchaser a desire to buy.

Ninety per cent. of the manipulation in Wall Street is conducted on this principle. The financial district may be likened to a vast manufacturing district where securities in the shape of bonds, stocks, etc., are manufactured in wholesale quantities, and sold to jobbers and at retail. The corporations are the manufacturers—they create these security issues; the large banking-houses are the jobbers—they buy them in wholesale quantities; the smaller bond houses, the bond brokers and stock brokers are the retailers.

Buyers are represented by savings banks, insurance companies, and other institutions; trustees of estates, private investors and speculators, ranging from those who buy in million dollar blocks down to the purchaser of one share.

The street peddler who is trying to influence a passerby to purchase for a few cents some small article of merchandise, is following on a minute scale, the same plan of operation pursued by the wholesalers of securities. He tells you all the good points but none of the bad. The article which he is selling may be more or less valuable, but he will prove to you by argument that it is indispensable. Why? Because he needs the money.

It is exactly the same with the wholesalers of securities who offer for sale $50,000,000 worth of securities. They need the money—your money and that of others, and when they are urging you up to the point of buying, they thunder forth their strongest arguments.

Every one remembers the launching of the United States Steel Corporation. In this case J. P. Morgan & Co. were the manufacturers. Mr. Morgan gathered together the constituent companies and cemented them into one giant corporation. As representative of the underwriting syndicate Mr. Morgan found himself with an enormous amount of securities on hand, a large portion of which represented nothing but water.

Mr. Morgan is a banker and the situation required the services of a manipulator. It is the business of the latter to manipulate not only prices, but public opinion. It was vitally important that a desire to purchase must be created in the mind of the public, or the syndicate would have been unable to realize on its holdings.

The arch-manipulator, Jas. R. Keene, was called in, and given *carte blanche* to develop a market on which he could unload the stock. Steel common at that time was selling in the 30's.

Mr. Keene's first move was to make a tremendous market; it fairly staggered the "Street." The stock was pushed steadily upward. Meanwhile the papers were filled with interviews, opinions and utterances of prominent bankers and authorities, of such a character as to whet the public appetite for Steel. Among others Mr. Frick was quoted as saying that Steel common would sell at 200 within a few years. That the stock would shortly sell at par was taken for granted by the general public, and an avalanche of money poured into the "Street" in exchange for Steel common and preferred. The stock was advanced, amid great excitement, to 55, and bull talk on it was so rampant that even those who had received it for comparatively nothing in exchange for securities of subsidiary companies, were influenced to hold their stock.

While this "dazzling" process was being carried on Mr. Keene was steadily unloading for the underwriting syndicate, both on the way up to 55, and on the way down to 42, to about which figure the stock reacted.

That his task was not yet completed was evidenced by the fact that he made another desperate attempt to advance the stock in the face of an already glutted market. After an advance of 5 or 6 points, which he had to fight every inch of the way, he found himself butting against a stone wall and started in to sell. Those familiar with the action of the stock at the time will remember that once he started cleaning up the deal, no one else was given any quarter. He literally poured out the stock just as fast as the market would take it.

In commenting on the latter part of this campaign, Mr. Keene is quoted as remarking that "It was impossible to advance it higher. The stock seemed to spring up out of the ground."

When the sale of the underwriters' stock was finally completed, good authorities estimated the underwriters' profits on the deal at $40,000,000. It is understood that Mr. Keene received a large cash commission, and a substantial interest in the syndicate.

Tape Reading.

It requires years of study and actual experience at the tape to become a good tape reader. There are numerous ways of judging the market from the tape, and if one becomes expert he will be so sensitive to the various currents, tides and eddies, that he can detect them instantly —just as a good sailor can see in advance of the "landlubber," when a squall approaches, and can judge the meaning and probable effect of every little puff of wind or change of sky.

A good tape reader will carry in his head the fluctuations of all the important stocks for weeks, months and years back. This is no exaggeration. If you have ever discussed the question of prices and fluctuations with an expert tape-reader you will note the remarkable facility with which he recalls extreme prices and intermittent swings, and discusses the fine points of his favorites, just as a horseman will recount the characteristics of his steeds.

The most expert type of tape-reader carries no memorandums, and seldom refers to fluctuation records. The tape whispers to him, talks to him, and, as Mr. Lawson puts it, "screams" at him.

Every one is not fitted to become an expert tape-reader, any more than in the musical world can every one be a Paderewski. The greatest difficulty of the tape-reader is that he becomes so sensitive from working close to the tape, that his judgment is rendered narrow. He endeavors to catch every small fluctuation in the market. This results in his "eating himself up in commissions." The people who make big money in securities are those who take a broad view of the situation and trade on the long swings. The tape-reader is the extreme antithisis of the operator who goes in for a long pull.

Many who have found themselves possessing the necessary qualifications for success in this line have made a very great deal of money in the stock market. We could mention quite a few among the largest traders on the floor of the New

York Stock Exchange to-day who started in this way. One of them who was once rated as possessing a fortune of from $3,000,000 to $4,000,000, began operations in ten share lots among the bucket shops with which, some years ago, New street, New York, was infested.

We would advise our friends to go very slowly before deciding to adopt tape-reading as a profession. It is something that a man must grow up to by years of close study, and unless he is equipped mentally and physically, and is gifted with a sort of sixth sense, he can never become a howling success as a tape-reader.

Charts

The best mechanical method of detecting manipulation on the tape is the use of what is known as the "Figure Chart." This differs from the ordinary chart in common use inasmuch as the figure chart records only the one point fluctuations from one "full figure" to another. By "full figure" we mean 110 or 111, as compared with the fractional quotation of 110⅛, 111½, etc.

At the outset we wish it thoroughly understood that the TICKER does not advocate the use of the figure chart for any other purpose than the detection of accumulation, distribution, or for what other points might be suggested thereby.

A figure chart on a stock which starts at 110 and fluctuates between that price and 118, would appear as follows:

				118		118			118	
				117	117	117	117	117	117	117
116		116		116	116	116	116	116	116	116
115	115	115	115	115	115			115		115
114	114	114	114							114
113	113	113								
112	112									
111										
110										

The fluctuations represented by this chart are that of a stock which,

Starting from 110
Rises to 116
Declines to 112
Rallies to 116
Declines to 114
Rises to 118

where a series of fluctuations between that figure and 115 indicate that distribution is taking place.

When a stock is being sold out or "distributed" by a pool or by a manipulator, the figure chart in many cases will enable the trader to detect this distribution, for as is well known, the tactics in such cases require that a stock be kept very active at around top figures, the newspapers and news bureaus at the same time being filled with bullish items calculated to induce the public to buy.

Some people buy only on advances. Others make their purchases only on declines. Hence the manipulator by working a stock up and down within a range of two or three points, gives it the appearance of great activity without letting it get beyond bounds.

Take the stock recorded on this chart. If he is able to unload a large amount at 117, it is obvious that were he to advance it to 120, many of the buyers at the lower figure would sell out. On the other hand if he were to let it drop back to 110, a number of them would be obliged to sell on account of decreased margins. So he keeps it zig-zagging back and forth until he has completed his process of liquidation.

All these swings are accurately recorded on the "full figure" chart, and the way to detect the manipulator's little game is to watch for the long horizontal lines of figures such as are shown here by repetition of the prices 116 and 117.

In case accumulation is taking place, these long lines will be found at the bottom of the chart. For instance, if insiders were buying at from par to 103 there would probably be long horizontal lines formed by the figures 101 and 102 with occasional dips to 99.

These charts are easy enough to make, provided one is supplied with complete sales lists every day. No prices containing fractions are considered, and this is where the figure chart differs from the regular chart formed by vertical lines, and followed by so many people.

The trouble with people who use charts is chiefly due to the fact that they grow to consider the chart an oracle instead of a guide or a source of obtaining suggestions.

The actual machinery by which the manipulator is able to advance or depress prices we hope to discuss in another article.

New Publications

Comments on the Latest Books Relating to Finance and the Markets

HOW MONEY IS MADE IN SECURITY INVESTMENTS. By Henry Hall, Author and Publisher.

Here is a book especially designed to show how the man with moderate means may, by taking advantage of the big swings in prices, cumulate a fortune by the time he approaches sixty years of age. The following extracts are especially pertinent:

"The subject of security investments, and how to make money in them, is here discussed to meet the requirements of many thousand Americans, who have moderate amounts of money, say from $500 to $5,000, which they desire to add to their permanent capital, and from which they wish to derive as large a revenue as is consistent with safety, and from the investment of which they can also gain an actual increment to their principal.

"This work will not encourage the belief that a man can make himself rapidly rich by trading in Wall Street with a few thousand dollars of capital. The achievement is possible to men who have been trained to the business, but it is foreign to the purpose in view. The object will be to show that security investments can be handled in such a shrewd and conservative manner, that the principal will be safe and the income sure, and that when this is accomplished, a desirable increment can be added to principal in a perfectly legitimate way—a policy which will ensure a fortune possibly in a series of years and certainly in a life-time."

"No bull market will ever be undertaken until underlying conditions are ripe for one. There must be ample supplies of money, interest rates must be moderate, and liquidation virtually ended. It is upon these points, that an investor should fasten his attention. With reference to the banking situation, no one need ever be in the slightest doubt. In June, 1904, for example, when surplus deposits in New York were $75,000,000 (they afterward rose to $110,500,000) when time loans were not higher than 3 per cent. and call money 1 to 1½ per cent., the flag had already been waved for a start in a bull market. Every man could have read that sign for himself."

"MINING INVESTMENTS AND HOW TO JUDGE THEM" is an attractive handbook of about 240 pages, covering in a most entertaining as well as authoritative way, the whole subject of mining investments and the values of mining stocks. The author is a man of wide experience and sound judgment on this subject; he is a mining engineer of known ability; he has visited all the leading mining camps of the world, and has of recent years made it his business to ascertain the values of mines and mining securities for investors. The book contains twenty-one chapters, covering such subjects as the organization, financial and physical development of mining properties; the relation of mining stocks to the properties back of them; reasons why mining companies fail, and also why they sometimes succeed. He also states clearly the conditions under which mining propositions can usually be made a success as well as the conditions under which they are almost certain to fail. One of the ablest chapters in the book is that on the subject of investments in dividend paying mining stocks.

After reading this book, most people who have heretofore invested in mining stocks without success will be able to see wherein they made mistakes, and those who have not yet invested, but are contemplating doing so, will be able to much more effectively avoid the dangers and pitfalls which always surround this precarious form of investment. The Moody Corporation, New York.

"THE INVESTORS' PRIMER," by John Moody, is a concise handbook which gives in clear and simple language definitions of all the important terms and phrases employed in the investment and banking business. The Moody Corporation, New York.

THE FINANCIAL DIARY for 1908 contains for each day in the year the dividend meetings and payments, closing of books, etc., of all American and Canadian dividend paying stocks; also a complete list of transfer offices and statistics regarding stocks, grain, cotton, iron, steel, etc., and many other features of every-day value. The Diary is published by the Financial Calendar Company, 25 W. Broadway, New York.

Letters of General Interest

Editor's Note:

These letters are mighty interesting. They bring to a focus thousands of ideas which will aid us all in the evolving of scientific methods.

Consider this page a burning glass; each letter a ray, and we'll concentrate on this subject of money-making till we've burned a hole and the light pours through.

Here are some suggestions:
How did you make your biggest profit?
To what do you mainly attribute your losses?
What is the most money you ever made from a "shoestring"?
Who makes the most money in stocks, cotton and grain?
What methods are employed by the most successful trader you ever knew?
What in your opinion are the chief causes of loss among traders?
What class of trader makes the most money?
How far should a broker go in giving advice?
Who makes the money—the office trader or the man away from the ticker?
Do you advocate the use of stop orders?
Which offers the most advantages—trading in stocks, bonds, cotton or grain? Why?
How could brokerage houses improve their service?
Is it more advantageous to trade from the tape, a quotation board, or a newspaper?
How can bond houses give investors better service?
Do you advocate the issue of bonds in small denominations? If so, what size?
How can this Magazine be improved?

Make your letter brief and to the point, write just as you would talk. This is not a literary contest but a mode of gathering material and boiling it down into something of concrete value to you and to others. What may seem commonplace to you may suggest a helpful idea, plan, method or system to another person. Don't fear that the whole world will start playing your way, as the same plan in the hands of two men of different ideas will generally produce opposite results. Just address the Editor and state whether you wish your name mentioned.

Lending on Unlisted Securities

How the Borrower Takes All the Risk

In recent months there have appeared numerous advertisements to the effect that certain parties made a specialty of loaning on unlisted securities. No matter how low in price or how inactive or obscure the market for your stocks, these kind-hearted gentlemen offer to help you out by loaning say 50% of their market value. These people are not money sharks—mind you—for in spite of the 20% rate on high-grade securities exacted by New York banking institutions, they will loan you money for six months at 6%, and accept as collateral therefor, securities on which you could not borrow one cent from any bank or trust company.

It is plain to be seen that these philanthropists have untold millions at their disposal and care so little about the return on their investment they are willing to take 6% instead of 20%, if by so doing they can accommodate thousands of absolute strangers who are unfortunately tied up in "cats and dogs."

A friend of mine wrote one of these concerns asking how much he could borrow on 10,000 shares of a curb stock which sells at 40 cents cents a share. The total value of this ream or so of paper was about $4,000 *if it could be*

sold at all. I hope no one will claim that a "wash" sale of 100 shares on the curb establishes a market for a block of 10,-000 shares. However, the unmarketability of the security in question did not phase the generous money lender in the least. He replied promptly that he would loan half the value, $2,000, for six months at 6% per annum, stipulating that the stock must be in hundred share certificates and the signatures guaranteed by a responsible house doing business on the Stock Exchange or on the curb.

I do not know what papers the borrower would be required to sign in such a case, but circumstances point unmistakably to the fact that the lender was going to benefit in a very questionable way, and we do not have to go outside of his own communication and the immediate circumstances for evidence.

No man without the wealth of Croesus behind him could stand before the financial community and offer to loan all kinds of money on anything that came along, at ridiculously low rates, unless there was something in it for him.

I am not accusing anybody, but I just want to record a little guess as to what will happen in the case of these promiscuous lenders to people who think they are securing a "loan." The borrower will hand over his bunch of certificates and duly receive a check for $2,000. The lender thereby comes into possession of, we will say, $4,000 worth of securities. The $2,000 which he has loaned must either come from himself or from some one else. If you and I cannot take this stock to a bank and borrow money on it, he can't. We cannot find that the kind-hearted lender is listed among American millionaire philanthropists, but he has loaned the money, and that money must come from somewhere. I wonder where he gets it?

Supposing the stock on which the money has been loaned has its only market on the New York Curb; I believe that if the borrower will watch that market and by any means obtain the numbers of the certificates which pass between brokers as a result of subsequent transactions, he wil notice that somehow or other a little of his stock is drifting into the "Street." It is, of course, ridiculous to think that the opulent money lender has parted with any of it, for this would make him criminally liable. However, he doubtless protects himself by a written authority to use these certificates and substitute others at his discretion, so that if he were questioned regarding the appearance of these securities in the market he would probably claim that he had loaned them to another broker.

Assuming that the market will take as many as 10,000 shares of stock at an average price of 35, the lender might become possessed of $3,500, out of which he had loaned $2,000. Still I would not for the world infer that any transaction of a shady nature was going on. I am simply pointing out the possibilities.

Supposing Bullfrog-Sure-To-Jump, or whatever the stock is, happens to decline accommodatingly about the time the loan becomes due and the borrower is unable to meet his obligation. The lender sells it out at, say, 20 cents a share, in order to "reimburse" himself. The borrower is no worse off than if he had held the stock and sold out at those low figures.

But, what would happen if the whole market started upward and at the expiration of the six months Bullfrog-Sure-To-Jump were to sell at 80 cents a share, and all the other "pups" from Stray Dog up through the kennel, were to enjoy the same rise. Croesus Second finds himself surrounded by a lot of people who want to sell out their stocks and pay back what he has loaned them. Can he return the certificates? Ah! That is the question. In these times, with the Great American Republic tied up in securities, it is easy for him to loan a couple of millions on more or less marketable securities, but what if these securities become worth five or six millions! Will he be prompt in returning the certificates, or will he follow the dead-sure method adopted by bucket-shops, and serve up to his audience a little monologue entitled "Laying Down?"

It seems to me that people who are putting their collateral into the hands of certain other people, would do well to assure themselves as to the character, standing, and resources of those who are

lending the money. If anyone is going to sell out securities at the market price, would it not be well for the holder to do it himself and thus reap the entire benefit?

X. Y. Z.

Why not have the author of the article, "Method of Forecasting the Market," in your November issue, forecast the movements of the same stocks in the same way in the present panic, applying what he calls the "acid test," clearly showing amount of net earnings and other equities? This has been done to a limited extent in your December issue, but the subject deserves much fuller treatment.

Ed.—We thank you for your suggestion. We are considering the advisability of adding statistics, etc., along this line, in future issues, but you will remember that the main object of this magazine is to make such suggestions as will enable our friends to figure out for themselves the value, equity, etc. in these various stocks, and draw their own conclusions. It is our belief that those operating in the market will do very much better using their own judgment than to depend upon anyone else. The key-note of the Ticker is—METHODS.

What Is A Stockbroker?

Dear Editor:

Do you think this definition is correct?

A stock broker is a man who buys something that doesn't exist, from somebody who hasn't got it, for another man who never gets it with money that isn't his.

No. We should say—A stock broker is occasionally a man who buys something that has no excuse for existing, on an order from somebody who will wish he had not got it, from another man who ought never to have had it, with money that the former will probably lose.

Common Sense is the ability to detect values.

Bill Barlow says: Ten thousand men—otherwise reasonably rational—sent Tom Lawson their life insurance proxies, just because he was out in the brush, bellowing like a mad bull.

To the Editor—We have been greatly interested in the reading of The Ticker, and beg to enclose our subscription order for one year (with the book, "The Story of Erie"), together with our check for $3. We really do not find at present anything to suggest that could add to the value of The Ticker, and only hope that it will always be possible to make it as pleasant reading as the first issues have furnished.

In regard to the question in the December number: "Will you kindly send me a list of bear newspapers and periodicals?" it may interest you to learn that the *Investor's Review* of London, Eng., has all along been very bearish, even all through the 1906 boom, and has not yet turned bullish. The Editor of that paper certainly is the most obstinate bear we have ever met with, so that the paper ought to suit the inquirer's need.

De Clerq & Boon Hartsinck,
Amsterdam, Holland.

To the Editor—Replying to your query, Should brokers give advice? I am one of those who believe that brokers should express no opinions of any kind, either upon the market, the financial situation or securities. In many years Wall Street experience I have only found one house which believed in, and practiced this rule. No amount of questioning will elicit any expression whatever from any member of this concern, and I believe it is the only rule for a Wall Street house to follow. If it should be generally adopted, people would be forced to depend upon their own knowledge and judgment. This would lead to increased intelligence and fewer losses. If the broker knew what was going to happen in the market he would not stay in the commission business very long. Nine-tenths of the people who lose money in the "Street," blame their broker when they really ought to be kicking themselves.

Experience.

We recently heard of a man who has $200,000 equity in a bucket-shop. If he ever tries to draw his balance he will find that he has lost even though he is a winner.

INQUIRIES

What do you wish to know about trading or investing in securities or commodities?

Is it something regarding opening an account, margins, commissions, stop orders or other kinds of orders?

Do you wish to know a reliable house in your locality where you can safely trade?

In fact, is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated?

If so, write us questions briefly and they will be answered in this column or otherwise. If personal reply desired, enclose stamped envelope. Address Inquiry Department.

To A. N. C.—N. W. Halsey & Co., 49 Wall street, New York, some time ago issued a comprehensive pamphlet on Chicago & Alton. This dealt particularly with the status of the two principal bond issues of the company, viz., the fifty-year 3s and 3½s. Copy will be mailed on request, if you mention the TICKER.

Read the TICKER and you will find how best to acquire the requisite knowledge in order to become a successful trader.

Q.—Am I right in believing that any stock bought on margin has to be delivered if the buyer requires it, upon payment of balance due?

Ans.—Your understanding is correct. Stock bought on margin can be paid for in full, and the certificate taken up by you at any time.

Q.—Please advise the two best stocks and two best bonds to buy. Is it better to buy bonds through a broker or a bond house?

A.—The TICKER cannot give opinions on securities, nor advise you as to the best stocks and bonds to buy. In purchasing bonds that are listed on the New York Stock Exchange, it is best to buy them through a member of that exchange, who will only charge you ⅛ of 1 per cent. commission, equal to $1.25 per $1,000 bond.

In case the bonds you wish to buy are unlisted, or in the event of their market on that exchange being limited, any bond house, whether a member of the exchange or not, will locate the bonds for you and sell them to you at a net price. So it all depends on the circumstances as to which is the cheaper way.

NOTE:—We referred this party to a house particularly adapted to his requirements. The TICKER will do as much for you.

Q.—Supposing a man buys 50 or 100 shares of Chicago & Alton common, and pays for it just as he would a house. Is there any way for him to lose his money, unless the stock goes down and stays down? Could he be assessed or could they take it off the market and force the holder to let go at any old price? In the December TICKER you gave the rate of dividend earned by Chicago & Alton common, Wabash preferred, and others. Do these roads pay this dividend, or just earn it?

A.—If you buy 50 or 100 shares of Chicago & Alton common, and pay for it outright, there is no way that you can lose your money unless the road becomes so hopelessly bankrupt that all value and equity are wiped out.

It is hardly possible that this can happen to one of the main arteries of travel in a "bull" country like the United States. Even should some great catastrophe or a prolonged depression in business occur, resulting in the receivership and reorganization of Alton, and an assessment being paid on the stock, you would be given preferred stock or other security equal to your assessment, and eventually increased value must pull you out whole.

About twelve years ago the Union Pacific property met with disaster. The common stock sold at 5 and holders were obliged to pay $20 a share assessment. In return they received preferred stock. Supposing you had bought 100 shares of old Union Pacific at 50, costing $5,000. You would have had to pay $2,000 assessment, making your investment $7,000. The 20 shares of Union Pacific preferred received for the assessment would now be valued at 80, or $1,600, and your 100 shares of Union Pacific common at 115, or $11,500,

making a total present valuation of $13,100. Dividends have been paid in the meantime at the rate of 4 per cent. on the preferred and in recent years at 2 to 10 per cent. on the common.

Had you owned the stock outright no one could have forced you to let go and the assessment could easilv have been arranged through your banker if you did not have the money.

The resolution not to buy more than you can pay for is a good one. If you will always stick to high-class railroad stocks and follow this plan you will make a lot of money by buying in panics.

The earnings quoted in the December TICKER had no reference to what is being paid on these stocks. Figuring the ratio of earnings to market prices we are able to compare values and prices in a way that is otherwise impossible. Neither Alton common or Wabash preferred pay dividends at present.

Q.—Will you kindly give your opinion of * * * * * stock. In case it is reorganized am I liable to an assessment? I understand the stock is non-assessable.

Ans.—The TICKER deals only with the Science of Speculation and Investment, and answers only such inquiries as relate thereto.

We understand that the stock is non-assessable, but in case of a reorganization a new company would be formed and the old company's properties sold out to the new concern. Holders of the old securities wishing to become interested in the new company would doubtless pay a certain amount in cash and turn in their old shares, in exchange for which they would be given stock in the new corporation.

This is about the only part of your letter which comes within the scope of the TICKER.

Q.—Will you kindly give me your opinion of the following corporations * * *. I have invested in two of them and anticipate buying some stock in the other.

Ans.—We cannot give opinions as to the merits of particular securities. We will say this, however, regarding the stocks in which you have either invested or are contemplating such action:

An important consideration in any investment is the ease with which it can be marketed if found necessary or desirable. If you owned stock in all of these corporations and were obliged to sell, you probably could not realize anything like your purchase price.

One reason for this is that there is no regular place where the stocks are dealt in. That is, they are not listed on the New York Stock Exchange, nor, as far as we can ascertain, handled in any of the curb markets.

We advise you to confine your purchases to stocks which have a regular market where you can dispose of them if you wish. Is it not much better to read the quotations in the papers daily and know exactly where you stand, than to have to depend upon the president or secretary of some obscure company to quote or dispose of your stock for you?

There are plenty of stocks earning and paying substantial dividends which will net you from 5% to 10%, and probably show a considerable increase in value within the next few months.

Many stocks of the class which you own and contemplate purchasing sink out of sight every year. Better let them alone.

We shall be glad to put you in touch with a house where you can make small purchases in sound securities.

NOTE.—Since the above was written one of these companies has been reported in difficulties.

Q.—In buying small lots of curb stocks can I get these shares by mail, and is it necessary to enclose cash with order? What would the broker's commission be on one share? Please explain what a 10 or 20 points margin means.

Ans.—If you wish to purchase a few shares of stock, we would suggest that you communicate with * * * *, a reliable curb broker, whose office is at * * * *. On orders of this kind it will be necessary for you to send a check for about the cost of your stock, and any difference can be settled as soon as the purchase is made. As soon as the stock is bought and paid for in full a certificate will be forwarded to you by registered mail. The commission on one share would probably be 25c.; on larger amounts from 1c. to 12½c. per share, depending upon the stock.

When we speak of 10% and 20% margin we refer to that percentage on the par value. For instance, if you bought 100 Union Pacific, the par value of which is $100 per share, 10% margin would be $1,000, and 20%, $2,000. The margin is figured on the par value without regard to the market price. It is sometimes referred to as 10 points, a point meaning one per cent. on stocks of $100 par. If this is not entirely clear to you kindly let us know.

"H. AROLD."—Your suggestion is a very good one. If you will send us your address we will show you how you can get the desired information up to date and in concise form, so that you can have all these details at your finger's end.

Q.—Can you inform me where I can get the dates the charter or incorporation papers were issued on the leading stocks; also the dates they were listed on the New York Stock Exchange?

Ans.—Poor's Manual will give you the charter or incorporation dates.

Regarding the listing of leading stocks, you will find this very difficult to obtain, as listings have been made from time to time in quantities representing new issues as made.

F. E. Fitch, 47 Broad street, New York, publishes a book giving details of all listings from May, 1904, to March, 1906. The price is $12.50. You might consult old files of Poor's Manual and the *Financial Chronicle*, which are to be found in first-class banking and brokerage houses.

Q.—If history is any guide, we should have a period of easy money next year and a resulting heavy investment demand, especially for high grade bonds. I understand that after the 1893 panic money became a drug. Can you give the rates for that period?

Ans.—The rates for 1893-4 follow:

1893.	Call Loan Range.	6 Mo. Money Range.
January	1 @ 7	5 @6
February	1½@12	4 @5
March	1½@60	6
April	3 @25	6
May	1 @40	5½@6
June	2 @45	5½@6
July	4 @74	6+comm.
August	2 @51	6+comm.
September	2 @ 7	6
October	1½@ 3	5 @6
November	1 @ 2	3½@5½
December	¾@ 1½	3½@4
1894.		
January	½@ 1½	3½@4
February	½@ 1½	3 @3½
March	½@ 1½	3
April	1 @ 1½	3
May	1 @ 1½	2½@3
June	1 @ 1½	2½@3
July	1	3
August	1	3 @4
September	1	3 @4
October	½@ 1	2½@3
November	½@ 1	2½@3
December	1 @ 3	3 @3½

Q.—I have recently purchased some stocks on the instalment plan, since which I have read considerable which was not favorable regarding this method, and therefore feel shaky. Had I better withdraw my money from the bank as soon as possible and pay up the balance? Or do you think it safe to let the trades stand?

Ans. So long as you have committed yourself you would do well to pay for the certificates as soon as possible, and have them transferred to your name.

Q.—Kindly let me know if the advance information adveritsed in the *Herald* is of any value or accuracy.

Ans.—It must be perfectly clear that any one who really has advance information on the market would not be obliged to sell it at so much per week or month. A person possessed of information such as claimed could start with $100 and make a million. We cannot recommend any of the people who advertise thus.

Mr. Thos. Gibson, Corn Exchange Bank Building, New York, writes a weekly and monthly market letter which analyzes basic conditions and points out certain indications which should aid speculators and investors. Mr. Gibson stands very high and his work is most excellent, but he is not infallible and does not agree to give tips or inside information. We think, however, that the use of his letters will aid you greatly in the formation of correct opinions of the market.

Q.—If Chicago & Alton, that is earning $42 on its capital, is only quoted at 15, why is this so?

What is your opinion regarding the self-styled financial prophets that advertise so extensively in the Sunday *Herald?* One of these gentlemen told me to buy New York Central at the opening of the market when it stood at 95½, put a stop on it of three points, that is, sell at 92½, and watch it rise. It fell to 91½ before 3 o'clock, thus wiping out 3 points of the margin; and still he adds—"The correctness of my advice is pronounced simply marvelous," etc., etc. I think the District Attorney should interfere with these wreckers of fortunes, although it is possible that some of them may be correct. Do you know of any such in Wall Street?

Ans.—Chicago & Alton is earning 42% on its market price—not on its capital. We do not know why it sells so low unless it is that the company received a black eye in the litigation last summer and considerable liquidation has resulted. Earnings determine values in the long run, and are the best things to tie up to.

Q.—Some people I know bought last year Canada Southern 5's and other issues of bonds which were about to mature. Can you tell me briefly what advantage there was in this operation?

Ans.—Last year one of the great advantages in purchasing bonds about to mature was, that they were not liable to decline to the same extent as long term issues. Your friends evidently expected liquidation and wanted to buy securities which would return a satisfactory yield, and in which the value of principal would not shrink heavily. Many far-sighted investors last year bought Canada Southern 5's and other maturing issues on the theory that these would have to be taken care of at maturity in a way highly beneficial to the holders—money market conditions would force this upon the companies. The reason this class of bonds suffer comparatively little in a panic is that each small fraction they decline adds considerably to the yield.

Q.—Have noticed that the U. S. Steel Corporation Collateral Trust 5's are subject to call after 1913 at 110 and interest. Why would it not be a good idea to buy these now and hold them until they are called. This would seem to promise a handsome profit.

Ans.—The fact that the company has the right to call these bonds carries no assurance that they will be called, and we should not count on receiving more than par for them at their maturity in 1963.

Q.—Where can I secure a copy of Investment Laws obtaining in the various States?

Ans.—N. W. Halsey & Co., 49 Wall street, have issued a very complete little booklet on this subject. Copy will be sent to you on request if you will mention the TICKER.

Q.—Will you kindly give your opinion as to the desirability of purchasing the following stocks—Erie Common, Texas Pacific, Chesapeake and Ohio?

Ans.—The TICKER cannot give opinions on securities, but if you desire to buy some low-priced stock, the table with the active stocks arranged in the order of their earnings on market price printed in our December number will aid you in your selection. Copy will be sent on receipt of 25c.

Q.—Will you kindly explain the meaning of Ex-dividend?

Ans.—"Ex" means "off," and ex-dividend means that the stock is selling without dividend or "dividend off." It is customary for corporations to close their books at three o'clock on a certain day, a few weeks before the date on which the dividend is to be paid. Suppose these books are to be closed on Tuesday at three o'clock. If you buy stock on Monday through your broker it will be delivered to him before 2:15 on Tuesday, hence he will have time to take the certificate to the company's office before three o'clock on that day, and order a new certificate transferred to your name (if you have paid for it in full) or to his name in case he is going to carry the stock for you on margin.

On Tuesday morning in this case a notice appears on the tape to this effect: "All transactions in X. Y. Z., except for cash, are ex-dividend to-day." Supposing a dividend of 3% is about to be paid. On Monday just before the close of the market you pay 109 for Pennsylvania. You would be entitled to the dividend. On Tuesday, if the market was unchanged, the stock would open at 106 ex-dividend. The value of your stock is not changed, because you have 106% in market value and 3% in the dividend which is coming to you, and which your broker will collect and credit your account in case he is carrying the stock. In the event that you have paid for the stock in full and have had the certificate transferred to your own name, the company's check for the dividend will be mailed to you on the day the dividend is paid.

Q.—I am about to buy stocks on margin, and wish to learn more about the methods of marginal trading. Please inform me how I can gain this knowledge.

Ans.—Buying stocks on margin is somewhat the same as buying a house and placing a mortgage on it.

If you purchased a residence for $10,000, and only had $4,000 cash, you would borrow $6,000 from an individual or corporation, giving a bond and mortgage to secure the lender. This is perfectly legitimate, and is the basis on which the majority of business is conducted.

When it comes to buying stock on margin, the principle is exactly the same. If you wish to buy 100 shares of stock at $100 a share, the total amount involved is $10,000. You give the broker a check for $1,000 or $2,000, which means $10 or $20 a share margin. In "Street" parlance this is called 10 to 20 points.

If your stock rises to 105 and you sell, you have made a gross profit of........		$500
Less commission	$25	
Tax on sale..........................	2	
Interest on the amount furnished by the broker, say $8,000, at the prevailing rate, for the period during which you carried the stock?..................	?	
		27
Net profit		$473

In case you sell out at 95 your loss would be 5 points, or..............		$500
Plus commission	$25	
Tax on sale..........................	2	
Interest	?	
	—	27
Net loss		$527

If your stock declines materially so that your margin becomes slender, the broker calls on you for additional margin, as he makes the outright purchase of this 100 shares for your account and risk, and your margin is simply to protect him against loss on your transaction.

By reading the past, present and future numbers of the TICKER you will become thoroughly posted upon this subject.

Q.—Kindly give the name of a publication which best defines all the financial terms in current use.

Ans.—The best and latest work of this character is "Money and Investments," by Montgomery Rollins, published by the Southgate Book Company, 85 Broad street, Boston, Mass. Copy of this book will be sent by that company postpaid on receipt of $2. If not satisfactory you can return it and get your money back.

Q.—Where can I obtain a copy of the book "Grain Speculation Not a Fine Art"?

Ans.—E. W. Wagner, 99 Board of Trade Bldg., Chicago, Ill., issues this book. He will sent it free upon request if you mention the TICKER.

Q.—Is there a chart published showing the averages, high and low, of the twenty railroads and twelve industrials, by the month, week and day, for the past ten years?

Ans.—The Massachusetts Publishing Co., Everett Station, Boston, Mass., publish a book of this character. Send five cents to Dow-Jones & Co., 48 Broad street, New York, and you will receive a copy of the *Wall Street Journal* giving these average prices for the most remote dates.

Q.—For some time past I have had an order in the hands of my broker to sell $10,000 * * * Bonds at 97. The official stock exchange list quotes these as 97 bid, none offered, yet the broker claims that he is unable to sell them, as there is only a market for small lots. Will you kindly explain whether I am being rightly treated in this matter?

Ans.—If the bid is for a small lot it should be indicated on the official New York Stock Exchange Bond list by an asterisk. Frederick E. Fitch, 47 Broad street, New York, publishes a list of inactive bond quotations. This gives the exact number of inactive bonds wanted and offered at different prices.

Q.—In the January issue of the TICKER, on page 12, under Fundamental Statistics, you say: "There are 25 subjects relative to which statisticians and investors systematically collect, analyze and index statistics." As I am trying to get a line on what statistics to keep, could you advise me what these 25 subjects are?

Also on page 38 (Inquiry Department) in reference to Dow-Jones System of Averaging. Can these quotations (giving daily quotations) be obtained for a number of years back —say 30 or 40 years? I would like to get these quotations during the different depressions, say 1848, 1851, 1857, etc., or as far back as possible, that I may make up charts around these times showing how the stock market acted for a year or so afterwards. If so, where can I get these quotations? If not, do you suppose I could get these quotations at the Astor Library and in what publication?

Ans.—The full explanation and details will be found in the new book "Investment Stocks, What and When to Buy," a copy of which we will send on receipt of $2.

Regarding the Dow-Jones Averages, these can be obtained for some years back. Dow-Jones & Company, 44 Broad street, N. Y., publishers of the *Wall Street Journal*, will doubtless send you a copy of the issue containing the most remote dates up to the present. The regular price of their paper is 5 cents, but they may charge extra for a back number.

At the Astor Library you will probably find the quotations desired in the *Commercial and Financial Chronicle*, or the early numbers of the *Wall Street Journal*.

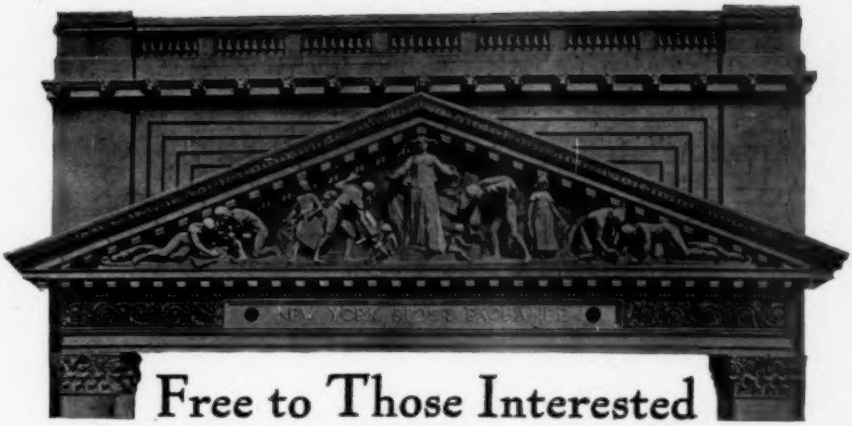
We thank you for the names of your friends.

Q.—I placed an order with a certain curb broker for a small lot of Bay State Gas. When I called for the certificate was told it was a delayed delivery and that it would be a week or two, possibly, before I could get my certificate. Do you think I am taking any chance of being swindled?

Ans.—There is likely to be a considerable delay in receiving your certificate, but it will probably be no fault of the broker. It seems that Mr. Lawson has just advised every one to transfer their holdings of Bay State Gas. As the issue is a very large one there would naturally be some delay in issuing new certificates. Some people think that this will be largely due to the fact Mr. Lawson wishes a great deal of the stock to be tied up so that he can manipulate it toward higher figures without encountering a lot of long stock.

If a thousand-dollar bond is bought when a child is born, the interest on it, put into a savings-bank, would make a neat sum by the time the child is grown or ready for college. Take a thousand-dollar bond paying five per cent. The interest each year would be fifty dollars. Assuming that the interest is payable January and July, there could be deposited the sum of twenty-five dollars every six months. At four per cent. this interest alone would amount to $1,299.47 by the time the child for whom the bond is bought, is eighteen years old. In other words, there would have been deposited $900 in interest, and the interest on these various deposits would be $399.47. This would more than pay for half of the college education, and the principal of the bond (for the bond could easily be sold) would pay for the rest.—*Sat. Eve. Post.*

"It must be admitted that the right to speculate will continue to be as inviolable as the tendency toward speculation is persistent, and it is well here to remark that the nations and the individuals whose progress both financially and socially has been most conspicuous are those in whom the speculative trait has been most markedly developed. Gambling is a hazard without intelligence; speculation presupposes an intelligent theorizing with regard to the operation contemplated, whatever it may be, and it seems to me that for all time it will be an inseparable concomitant of human progress."—*Theo. H. Price.*



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PUBLISHED MONTHLY BY

THE TICKER PUBLISHING CO.

Richard D. Wyckoff, Editor and Proprietor

45 Exchange Place, New York.

TELEPHONE—7680 HANOVER.

The annual subscription price of THE TICKER is Three Dollars—six cents a week.

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